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State Controller, Sacramento

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Executive Director

No. 2005/024

March 28, 2005

TO COUNTY ASSESSORS,  
TIMBER ADVISORY COMMITTEE MEMBERS, AND  
OTHER INTERESTED PARTIES:

TIMBER HARVEST VALUES MANUAL

The Board has initiated a project to develop a manual that describes the principles and procedures used by Board staff in the valuation of timber and provides an overview of the responsibilities of the Timber Advisory Committee. Enclosed is a draft of the *Timber Harvest Values Manual*.

Interested parties may submit proposed changes to the manual in the form of alternative text by June 1, 2005. Proposed changes should reference a line and/or page number in the draft manual and should be submitted to Ms. Sherrie Kinkle at [sherrie.kinkle@boe.ca.gov](mailto:sherrie.kinkle@boe.ca.gov), or mailed to:

Ms. Sherrie Kinkle  
State Board of Equalization  
Assessment Policy and Standards Division  
P. O. Box 942879  
Sacramento, CA 94279-0064

It is anticipated that this project will proceed as follows:

- Interested parties will have until June 1, 2005 to submit suggested revisions to the draft.
- Staff will meet with interested parties on August 9, 2005 to discuss proposed changes to the draft. The meeting will be held at the Board's headquarters in Sacramento, 450 N Street, Room 122, beginning at 9:00 a.m.
- The Board's Property Tax Committee is tentatively scheduled on November 15, 2005 to hear presentations on any unresolved issues regarding the wording of the manual.

This letter and all documents regarding this project will be posted to the Board's Web site at [www.boe.ca.gov/proptaxes/timharvals05.htm](http://www.boe.ca.gov/proptaxes/timharvals05.htm). If you have any questions, comments, or suggestions regarding this project, please contact Sherrie Kinkle at 916-322-2921.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:sk  
Enclosure

DRAFT

# TIMBER HARVEST VALUES MANUAL

MARCH 2005

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## CALIFORNIA STATE BOARD OF EQUALIZATION

BETTY T. YEE, ACTING MEMBER, SAN FRANCISCO

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SECOND DISTRICT

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THIRD DISTRICT

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STATE CONTROLLER

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## FOREWORD

Prior to 1977, each county in California assessed all standing timber for ad valorem taxation. Since the value of timber was added to the value of land and then taxed annually, property owners had an incentive to harvest trees to reduce their property taxes, thereby threatening to erode the timber base of California. Each forested county had to maintain a staff who established the values of standing timber. Owners of large timber properties were displeased with the variation in appraisal values that often occurred between counties and with the need to discuss values with county assessors in multiple counties. These owners strongly supported the centralized appraisal and determination of taxable value for timber.

The Z'berg-Warren-Keene-Collier Forest Taxation Reform Act of 1976 dramatically changed the method of taxing timber in California. The Act encouraged the protection of immature trees and the continued use of timberlands for the production of trees for timber products, and provided restrictions on the use of timberland to the production of timber products and compatible uses. The Act, codified as the Timber Yield Tax Law, replaced the ad valorem tax on standing timber with a yield tax on felled timber. The resulting timber yield tax is imposed on every timber owner who harvests timber or causes it to be harvested.

Many changes have occurred in the timber industry since 1977 when the timber yield tax program was established. There have been changes in forest harvest regulations, volume reductions in U.S. Forest Service sales, and an increased demand for timber from private timberlands. Timber values have risen significantly and small harvests of timber on private lands have increased.

The *Timber Harvest Values Manual* describes the principles and procedures used by the State Board of Equalization in the valuation of timber and provides an overview of the responsibilities of the Timber Advisory Committee. This manual is designed to provide Board staff, county assessors and their staffs, and others interested parties with an informational resource.

The manual was prepared within an open process that allowed input from members of the Timber Advisory Committee, the California Assessors' Association, industry representatives, and other interested parties. Any issues regarding the manual's final language and contents that could not be resolved by consensus among interested parties were voted on and resolved by the Members of the State Board of Equalization after hearing relevant testimony from interested parties and Board staff.

Under Government Code sections 15606 et seq., the Board is charged with the duty of administratively enforcing and interpreting the statutes governing property tax assessment matters. Specifically, the Board is responsible for the administration and collection of the timber yield tax under Revenue and Taxation Code sections 38101 through 38908. While regulations adopted by the Board are binding as law, Board-adopted manuals are advisory only.

1 Nevertheless, courts have held that they may be properly considered as evidence in the  
2 adjudicatory process.<sup>1</sup>

3 The citations and law references in this publication were current as of the writing of the manual.  
4 The Board approved this manual on \_\_\_\_\_.

5  
6  
7 David J. Gau  
8 Deputy Director  
9 Property and Special Taxes Department  
10 [Date]  
11

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<sup>1</sup> *Coca-Cola Co. v. State Board of Equalization* (1945) 25 Cal.2d 918; *Prudential Ins. Co. v. City and County of San Francisco* (1987) 191 Cal.App.3d 1142; *Hunt Wesson Foods, Inc. v. County of Alameda* (1974) 41 Cal.App.3d 163.

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# CHAPTER 1: OVERVIEW OF THE TIMBER YIELD TAX LAW

Pursuant to Article XIII, section 3, subdivision (j) of the California Constitution, in 1976 the Legislature completely revised the system of taxation for growing timber and preserving timberlands in California. With the passage of the Timber Yield Tax Law,<sup>2</sup> standing timber became exempt from local property taxes and instead is subject to a state tax at the time of harvest. Although the tax is administered and collected by the State Board of Equalization (Board), the revenue is primarily redistributed to the counties and local tax agencies to replace the property taxes that had previously been collected.

The 1976 legislation also required the Board to appoint a Timber Advisory Committee (TAC) with which to consult prior to adopting administrative regulations governing the assessment of harvested timber and underlying lands.

Under the Timber Yield Tax Law, the tax rate is applied to the value of the net volume of harvested timber calculated at its *immediate harvest value*, defined as the amount the "timber would sell for on the stump at a voluntary sale made in the ordinary course of business for purposes of immediate harvest."<sup>3</sup> Every six months, the Board is required to estimate the immediate harvest value of each species or subclassification of timber within the various specified timber areas of the state.

In order to perform its statutory duty of estimating the immediate harvest values, the Board requires the reporting of significant amounts of information from parties participating in timber sales transactions throughout the state. The Board uses its general statutory authority to inspect any books and records of persons required to report to the Board or having knowledge of the affairs of those required to report.<sup>4</sup> Since there are no specific reporting requirements for data regarding timber sales transactions, in practice, the Board staff requests the necessary harvest information on a voluntary basis, and assures the reporting parties that the specific details regarding the sales will be kept confidential. If necessary, the information can be obtained from the parties through the exercise of the Board's subpoena power.<sup>5</sup>

## RATE ADJUSTMENT COUNTIES

The Legislature designated, at the time of the enactment of the Timber Yield Tax Law in 1976, 17 timber producing counties as *rate adjustment counties*. The 17 counties designated were those counties where property tax revenues on timber represented 2 percent or greater of the county's total property tax revenue. The rate adjustment counties form the basis for the determination of the timber yield tax rate. (See section following on the Timber Yield Tax Rate.)

<sup>2</sup> Revenue and Taxation Code sections 38101 through 38908. Unless otherwise stated, all statutory references are to the Revenue and Taxation Code.

<sup>3</sup> Section 38109.

<sup>4</sup> Government Code section 15618.

<sup>5</sup> Government Code section 15613.

The rate adjustment counties are Alpine, Del Norte, El Dorado, Glenn, Humboldt, Lassen, Mendocino, Modoc, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, and Yuba.<sup>6</sup>

## **TIMBER YIELD TAX RATE**

Beginning April 1, 1977, a timber yield tax rate was established to produce for local governments a sum equivalent to ad valorem collections on timber statewide. The timber yield tax rate was initially established at 6 percent on all harvested timber.

Annually, the Board reviews data from the rate adjustment counties to determine if an adjustment is necessary to the timber yield tax rate. The tax rate is adjusted in the same proportion that the average rate of general property taxation in the rate adjustment counties in the current tax year differs from the average rate of general property taxation in the rate adjustment counties in the prior year.<sup>7</sup>

In 1980, following the adoption of the statewide property tax initiative commonly known as Proposition 13, the yield tax rate was reduced from 6 percent to 3 percent. In 1982, the rate was adjusted to 2.9 percent where it has remained to date.

## **TIMBER ADVISORY COMMITTEE**

The Timber Yield Tax Law requires that the Board appoint a Timber Advisory Committee (TAC).<sup>8</sup> (See Chapter 3 for a discussion of the TAC.) Section 431 contains the following definition of the TAC:

... (c) "Timber Advisory Committee" means a standing committee appointed by the board composed of one representative of the Board of Equalization, one representative of the State Board of Forestry and Fire Protection, five assessors from the rate adjustment counties defined in Section 38105, and one member representing small-scale timber owners, and one member representing large-scale timber owners.

## **IMMEDIATE HARVEST VALUES**

As part of its administration of the Timber Yield Tax Law, the Board is required to establish twice yearly a schedule of immediate harvest values for each species or subclassification of timber within the various specified timber value areas in the state. As provided in section 38204, the immediate harvest values are to be determined:

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<sup>6</sup> Section 38105.

<sup>7</sup> Section 38202.

<sup>8</sup> Section 434.2.



1 ... from the best evidence available, including (1) gross proceeds from sales on  
 2 the stump of similar timber of like quality and character at similar locations, or  
 3 (2) gross proceeds from sales of logs, or of finished products, adjusted to reflect  
 4 only the portion of those proceeds attributable to value on the stump immediately  
 5 prior to harvest, or a combination of (1) and (2), and shall be determined in a  
 6 manner that makes reasonable allowance for differences in age, size, quality, cost  
 7 of removal, accessibility to point of conversion, market conditions and other  
 8 relevant factors....

9 The TAC has a vital role in the adoption of the biannual harvest values and schedules.  
 10 Section 38204 further provides:

11 (a) ... the board, after consultation with the Timber Advisory Committee, shall  
 12 estimate the immediate harvest values of each species or subclassification of  
 13 timber within those areas as of the initial date of the period....

14 The statutory duties of the TAC under section 38204 to consult with the Board regarding  
 15 immediate harvest values are advisory in nature and encompass no administrative  
 16 responsibilities. The TAC members perform their consultation function by providing information  
 17 concerning timber values that each member has compiled from outside sources, and by applying  
 18 their expertise to any timber-related questions raised by the Board.

19 The Board estimates the immediate harvest values of and adopts schedules for each species or  
 20 subclassification of timber harvested between January 1 and June 30, and between July 1 and  
 21 December 31, annually. Board staff of the County Property Tax Division, Timber Tax Section,  
 22 Property and Special Taxes Department, are responsible for analyzing statewide timber sales  
 23 data and developing suggested immediate harvest values. (See Chapter 2 for a discussion of how  
 24 values are established.)

25 The values are arrayed in three tables. The harvest value tables provide the taxpayer with  
 26 information necessary for reporting the timber yield tax. Table 1 is used for valuing  
 27 miscellaneous harvest values, Table G for green timber, and Table S for salvage timber. The  
 28 prices are expressed as a dollar amount per thousand (M) board feet or other designated unit of  
 29 measure. Species codes and units of measure are shown in the tables for use by taxpayers in  
 30 preparation of the Timber Tax Harvest Report.

31 Prior to the biannual meetings at which the Board adopts the immediate harvest values, the staff  
 32 prepares a schedule of preliminary estimates of immediate harvest values, and then meets with  
 33 the TAC to discuss the suggested values. The TAC reviews the proposed values, and makes its  
 34 recommendation, based on a majority vote, to the Board to approve or disapprove the values.  
 35 The Board considers the staff recommended values and the TAC recommendation in an open  
 36 session of a meeting of the Board.

## CONFIDENTIALITY OF SALES INFORMATION

### SALES TRANSACTIONS

Information regarding timber sales transactions obtained by the Board pursuant to section 38204 may not be disclosed to parties outside those involved in the sales transaction. This prohibition includes members of the TAC.<sup>9</sup> The controlling confidentiality statute is found in section 38705, which states in part:

Except as provided in Sections 38402 and 38706, it is unlawful for the board or any person having an administrative duty under this part to make known in any manner whatever the business affairs, operations, or any other information pertaining to any timber owner or any other person required to report to the board or pay a tax pursuant to this part, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any return, or to permit any return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person....

In a July 25, 2002 opinion,<sup>10</sup> the California Attorney General considered the question of whether the Board could publicly disclose information that its staff has compiled regarding timber and log sales transactions, if the information was provided in a source-neutral, summary fashion that did not identify or allow one to ascertain specific timber or log sales transactions or the parties involved in such transactions. The Attorney General concluded:

In preparing estimates of timber values, the Board's staff first compiles statistical data based upon information it receives from timber owners and other knowledgeable persons regarding timber and log sales transactions. The question presented for analysis is whether the statistical schedules prepared by Board staff, which do not identify or make ascertainable specific timber or log sales transactions or the parties involved in such transactions, may be disclosed to the public....

We conclude that the Board may publicly disclose information that its staff has compiled regarding timber and log sales transactions if the information is provided in a source-neutral, summary fashion that does not identify or make ascertainable specific timber or log sales transactions or the parties involved in such transactions.

Therefore, while the Board can publicly disclose the information arrayed in a source-neutral format, the raw data that would allow one to ascertain the parties involved in specific timber or log sales transactions must be held confidential and may not be disclosed by staff. For example, Board staff prepares four summary tables for the TAC to assist the members when analyzing the

<sup>9</sup> A. G. Opinion CV 78/52, August 29, 1978.

<sup>10</sup> A. G. Opinion CV 01/901.

suggested immediate harvest values developed by Board staff. The four summary tables do not include raw data but do include the following information:

***Sales Summary Table G:*** For each timber value area, species, and sub-classification of species, this table contains:

- Number of sales
- Total volume of those sales
- Computed weighted average values
- Suggested values

***Sales Summary Table I:*** For each species or product, this table contains:

- Number of sales
- Total volume of those sales
- Computed weighted average values
- Suggested values

***Suggested Values and Changes From Prior:*** For each timber value area, species, and subclassification of species, this table contains:

- Current suggested values
- Changes from prior value schedule

***Timber Sales Summary:*** For each timber value area as well as statewide, this table contains:

- Number of public and private sales
- Sales volume for both public and private sales
- Average tractor logging and haul costs
- Helicopter sales

To ensure confidentiality of the data, for *Sales Summary Table G* and *Sales Summary Table I*, if the number of sales transactions in any category is less than five, only the suggested values are provided. However, the benchmark of using no less than five sales transactions is only a guide. In some instances, even five sales transactions could disclose confidential information. For instance, if there are five sales transactions in a timber value area but four of the transactions involve the same logging company, by process of elimination, disclosure could compromise the confidentiality of the fifth transaction.

## **ASSESSORS' ACCESS TO BOARD RECORDS**

In January 1980, section 38706 was added to provide specific, limited access by county assessors to Board timber tax records pertaining solely to their respective counties. In so doing, the

Legislature granted access to the Board's timber tax records to county assessors in their capacity as county assessors, but did not provide for disclosure to TAC members under either section 38705 or section 38706. Section 38706 provides, in part:

Upon written request of the assessor of any county containing timber, the board shall permit the assessor, or any duly authorized deputy or employee of such assessor, to examine any records pertaining to the county of such assessor which are maintained by the board under this part....

The Legislature granted these rights to county assessors subject to certain disclosure limitations and sanctions. Section 38706 further provides that appraisal data, including market data as defined in section 408, may be disclosed to any assessor. However, if an assessor seeks to review Board-maintained records of a county other than the assessor's own county, the request to the Board must include a written statement authorizing such a review from the applicable county assessor.

## **LOG INDEX STATISTICAL SCHEDULES**

The log index is part of the Board staff's work product developed for use in conjunction with confidential sales information, calculations, and determinations of immediate harvest values. The log index is developed by staff to adjust older sales information for time-related changes in the wholesale timber market. In other words, the log index is a time adjustment table that indicates the upward or downward trends in the wholesale timber market. The raw data—the log price information—is obtained from sawmills under the assurance that the specific data will be kept confidential. The Attorney General found in A. G. Opinion CV 78/52:

The requirement for confidentiality under section 38705 fosters the complete and accurate reporting of information to the Board...The Board's ability to perform its responsibilities might be impaired if those supplying it with information were not assured that such information would be kept confidential from the public, particularly business competitors.

Further in A. G. Opinion CV 01-901, the Attorney General opined:

The prohibition of section 38705 is thus intended to protect the privacy rights of timber owners, preventing business competitors and others from obtaining information furnished to the Board concerning their business affairs and operations. The Board's administration of the Timber Yield Tax Law is thereby facilitated by making sure that the information it receives from timber owners is accurate due to the Legislature's confidentiality mandate....

To ensure confidentiality of the data used in the compilation of the log index, Board staff prepares a source-neutral summary table for use by the TAC. The *Time Adjustment Table* contains:

- Date of sale of logs

- Changes in stumpage prices by species or subclassification from the Board appraisal date to the contract sale date

## RULES AND REGULATIONS

Under Government Code section 15606, subdivision (c), the Board is given the power and duty to prescribe rules and regulations for property tax matters. Recognizing the experience and expertise of the TAC members, the Legislature directed the TAC to consult with the Board regarding any administrative rules or regulations that were being considered by the Board regarding the timber program.<sup>11</sup>

Pursuant to the Board's general authority, and specifically the Board's authority under section 432, the Board, and after consultation with the TAC, adopted the following Property Tax Rules:<sup>12</sup>

- Property Tax Rule 41, *Market Value of Timberland*
- Property Tax Rule 53, *Open-Space Value of Timberland*
- Property Tax Rule 471, *Timberland*
- Property Tax Rule 1020, *Timber Value Areas*
- Property Tax Rule 1021, *Timberland Grading Rule*
- Property Tax Rule 1022, *Standard Unit of Measure*
- Property Tax Rule 1023, *Immediate Harvest Value*
- Property Tax Rule 1024, *Exempt Timber*
- Property Tax Rule 1026, *Timber Owner*
- Property Tax Rule 1027, *U. S. Forest Service Timber Volumes*
- Property Tax Rule 1031, *Records*

See Appendix 1 for a complete text of the rules.

## EXEMPTIONS

Pursuant to section 201, all property, not exempt under the laws of the United States or of this state, is subject to taxation. With the enactment of the Timber Yield Tax Law in 1976, timber became exempt from property taxation. Section 436 provided:

<sup>11</sup> Sections 434.1, 38109, and 38116.

<sup>12</sup> All rule references are to the California Code of Regulations, Title 18, Public Revenues.

On the lien date for the 1977-78 fiscal year and thereafter, all timber on both privately and publicly owned lands shall be exempt from property taxation, including possessory interest taxation, and shall not be assessed for taxation purposes. Nothing herein shall preclude the assessment of trees standing on land not zoned as timberland production under this article for purposes of property taxation based on their aesthetic or amenity value.

Therefore, timber is subject to the timber yield tax in lieu of the general property tax. The following are instances where timber has been exempted from the timber yield tax by statutory and regulatory provisions.

### **LOW VALUE**

Timber is exempt from the timber yield tax when the immediate harvest value of the timber is so low that the tax on the timber would amount to less than the cost of administering and collecting the tax.<sup>13</sup> Property Tax Rule 1024 provides:

... Timber, removed from a timber harvest operation whose immediate harvest value does not exceed \$3,000 within a quarter, is exempt from timber yield tax pursuant to the authority granted by section 38116 of the Revenue and Taxation Code....

Two or more timber owners who elect to combine their harvest under one harvest permit may report each harvest as a separate operation. The specific requirements for reporting each harvest separately for the purpose of calculating the small total volume deduction are:

1. That each timber owner must have a separate timber yield tax account with the Board; and
2. That each timber owner must separately own the land from which the timber was harvested, as identified by an assessor's parcel number.

### **WELFARE EXEMPTION**

The Constitution provides that the Legislature may exempt from property taxation property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities (1) that are organized and operating for those purposes, (2) that are nonprofit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual.<sup>14</sup> The Legislature has implemented this exemption by enacting sections 214 et seq., commonly known as the welfare exemption.

Under section 214, if timber is harvested on property used for qualifying purposes that is owned by a qualifying organization under the welfare exemption, such timber is exempt from the timber yield tax. However, section 38104 contains the following:

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<sup>13</sup> Section 38116.

<sup>14</sup> Article XIII, section 4(b), California Constitution.

"Timber owner" means any person who owns timber immediately prior to felling or the first person who acquires either the legal title or beneficial title to timber after it has been felled from land owned by a federal agency or any other person or agency or entity exempt from property taxation....

Therefore, while harvested timber may be exempt from the timber yield tax pursuant to the provisions of the welfare exemption when owned by a qualifying organization, the first person acquiring title to the timber from the exempt organization is statutorily considered the "timber owner" and is liable for the applicable timber yield tax.

In *Hoopa Valley Tribe v. Nevins, et al.*,<sup>15</sup> the federal Circuit Court of Appeal held that "timber owner" as defined in section 38104 and Property Tax Rule 1026 did not include any purchasers of timber owned by Indian tribes, whether the land is owned by the tribes themselves or by federal agencies on behalf of the tribes. (See the section following on Indian Lands.) However, timber harvested from land acquired by an individual member of a tribe as a deeded allotment is subject to the timber yield tax.

## INDIAN LANDS

Indian lands are lands held in trust by the United States for Indian tribes.<sup>16</sup> These lands are immune from state property taxes. Federal laws and policies comprehensively support and regulate the harvest of timber on tribal lands. State taxes or regulations that interfere with tribal activities may be preempted if the tribal activity the state seeks to affect involves goods produced on the reservation.

The court found in *Hoopa*<sup>17</sup> that because the timber yield tax does not fund services that directly relate to the harvesting of tribal timber and is otherwise unconnected with tribal timber activities, the timber yield tax should be preempted. As a result of this decision, timber yield tax is not applicable to timber owned by Indian tribes, nor to any purchasers of that timber or logs derived therefrom. Thus, non-Indian purchasers may negotiate with Indian tribes for the purchase of the tribe's timber or logs without regard to the timber yield tax or its application.

## TIMBERLAND PRODUCTION ZONES

The purpose of sections 51110 through 51119.5 is to establish timberland production zones<sup>18</sup> to be valued for property taxation on the basis of lands used for growing and harvesting timber only. The original 1977 statutory scheme for zoning property as timberland production was quite extensive:

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<sup>15</sup>(1989) 881 F.2d 657.

<sup>16</sup> The Wheeler-Howard Act of Congress (June 18, 1934) 25 U.S.C.A. 465.

<sup>17</sup> *Hoopa Valley Tribe v. Nevins et al.*, *supra*.

<sup>18</sup> Also known as "timberland preserve zones."

- 1 • The county assessor was required to determine parcels which, as of the lien date in 1976,  
2 were assessed for growing and harvesting timber as the highest and best use of the land—  
3 referred to as "List A."<sup>19</sup>
- 4 • The county assessor was required to determine parcels which, as of the lien date in 1976,  
5 appeared in the assessor's judgment to have constituted timberland, but which were not  
6 assessed for growing and harvesting timber as the highest and best use of the land—  
7 referred to as "List B."<sup>20</sup>
- 8 • The county planning commission was required to hold public hearings on parcels and to  
9 make recommendations to the board of supervisors.<sup>21</sup>
- 10 • Landowners whose properties were not included on either List A or List B could petition  
11 to the board of supervisors to have their properties added to the timberland production  
12 zone.<sup>22</sup>
- 13 • The board of supervisors was required to hold public hearings on parcels and consider the  
14 recommendations of the planning commission prior to having parcels zoned as timberland  
15 production.<sup>23</sup>

16 Despite the desirability and advantages of having land zoned as timberland production, the  
17 Legislature was cognizant of the long-standing right of owners of properties to do with their  
18 properties what they wish. Therefore, provision was made for owners to demonstrate that it  
19 would not be in the public interest for their parcels to be zoned as timberland production.<sup>24</sup>

20 Today, all parcels zoned as timberland production are zoned as such for an initial term of  
21 10 years. On the first and each subsequent anniversary date of the initial zoning, a year is added  
22 to the initial term of 10 years, unless a notice of rezoning is given.<sup>25</sup> All parcels in a timberland  
23 production zone are taxed pursuant to the Timber Yield Tax Law.

## 24 **COMPATIBLE USES**

25 Timberland means any land that is devoted to growing and harvesting timber and that is used for  
26 any compatible uses.<sup>26</sup> *Compatible use* is defined in section 51104 as:

27 ... (h) "Compatible use" is any use which does not significantly detract from the  
28 use of the property for, or inhibit, growing and harvesting timber, and shall  
29 include, but not be limited to, any of the following, unless in a specific instance  
30 such a use would be contrary to the preceding definition of compatible use:

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<sup>19</sup> Section 51110.

<sup>20</sup> Section 51110.1.

<sup>21</sup> Section 51110.2.

<sup>22</sup> Section 51110.3.

<sup>23</sup> Section 51112.

<sup>24</sup> Section 51110.

<sup>25</sup> Section 51114.

<sup>26</sup> Section 38103.1.



- (1) Management for watershed.
- (2) Management for fish and wildlife habitat or hunting and fishing.
- (3) A use integrally related to the growing, harvesting and processing of forest products, including but not limited to roads, log landings, and log storage areas.
- (4) The erection, construction, alteration, or maintenance of gas, electronic, water, or communication transmission facilities.
- (5) Grazing.
- (6) A residence or other structure necessary for the management of land zoned as timberland production.

The county board of supervisors or city council was mandated in 1976 to adopt a list and detailed description of compatible uses additional to those legislated in section 51104.<sup>27</sup> Subsequently, the board or council continues to make determinations regarding compatible uses within the timberland production zones.

Property restricted to timberland use is excluded from the provisions of Article XIII A (commonly known as Proposition 13) and instead is valued under the Timber Yield Tax Law. However, property not subject to valuation under the Timber Yield Tax Law within a timberland production zone, such as structures, structure sites, and compatible uses, is to be valued according to the provisions of Proposition 13, i.e., valued at their adjusted base year value or at current market value, whichever is less. This would also include the imposition of a possessory interest where appropriate.<sup>28</sup>

As an exception, the values of temporary access roads, culverts, drainage ditches, and other improvements necessary to the growing and harvesting of timber by providing *accessibility to point of conversion*<sup>29</sup> are not valued pursuant to Proposition 13, but are included in the immediate harvest value for the relevant timber value area. Thus, roads, culverts, drainage ditches, and improvements necessary for timber access are not assessable as a compatible, nonexclusive use of timberland, except to the extent that they may exceed what is necessary to provide essential accessibility.

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<sup>27</sup> Section 51111.

<sup>28</sup> Section 107.

<sup>29</sup> Section 38109.

## CHAPTER 2: VALUATION

Privately owned land and land acquired for state forest purposes which is primarily devoted to growing and harvesting timber, and is zoned for a minimum 10-year period as timberland production zone, is valued for property taxation on the basis of its use for growing and harvesting timber, plus the value attributable to any existing compatible, nonexclusive uses of the land.

The statutory mandate on the Board regarding valuing timber and timberland under the Timber Yield Tax Law is:

- As of January 1 and July 1 each year, the Board must adopt a schedule of immediate harvest values by species, quality, and location to be used by timber owners when filing their taxes on harvested timber.<sup>30</sup>
- As of November 30 each year, the Board must adopt timberland site class value schedules to be used by county assessors when valuing timberland properties within their counties.<sup>31</sup>
- As of December each year, the Board must adopt the yield tax rate.<sup>32</sup>

The primary focus of this manual is on the development of the immediate harvest values by timber appraisers in the Board's Timber Tax Section. (See Appendix 3 for a sample of an immediate harvest value schedule.)

### IMMEDIATE HARVEST VALUE

*Immediate harvest value* is the amount of cash or its equivalent for which timber would be transferred from a willing and informed seller to a willing and informed buyer, both seeking to maximize their incomes, if the timber could be harvested in the forthcoming year. This type of transaction is commonly known as an open market arm's-length transaction.<sup>33</sup>

When developing the immediate harvest values, the Board's staff considers all elements of value, such as volume by species, quality, defect, market conditions, volume per acre, size of timber, accessibility, topography, logging conditions, and distances from a processing center capable of utilizing the timber.<sup>34</sup>

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<sup>30</sup> Section 38204.

<sup>31</sup> Section 434.5; Property Tax Rule 471.

<sup>32</sup> Section 38202.

<sup>33</sup> Section 110.

<sup>34</sup> Property Tax Rule 41, subsection (b).

## TIMBER VALUE AREAS

For use in the preparation and application of immediate harvest values, the Board designated nine timber value areas in the state.<sup>35</sup> (See Appendix 2 for a map of the timber value areas.) These designated areas contain timber having similar growing, harvesting, and marketing conditions. Timber owners compute the taxable value of their timber using the immediate harvest values designated for the areas where their timber has been harvested. The *taxable value of timber* is the immediate harvest value, by designated area, as of the first day of the period specified by the applicable harvest value schedule adopted by the Board.

Once the harvest value schedules are adopted by the Board, they are made available to known timber owners and timber logging operators, as well as being posted to the Board's website.<sup>36</sup>

## SALES COLLECTION

Timber harvest valuation is based on transactional evidence. The primary transactions are typically open market sales of standing timber and sales of delivered logs. The timber harvest values used for the biannual schedules are derived from sales occurring during the two-year period immediately preceding the appraisal date for the next schedule. However, good appraisal practice for all types of property, including timber, provides that the preferred method of arriving at the value of a property is through the use of market sales data that represent arm's-length, open market sales of comparable properties that are nearest in time to the valuation date of the subject property.

Therefore, if sufficient timber sales transactions and data are available close to the date that the harvest values are being determined, those sales transactions should be given the greatest weight in analyzing the marketplace for timber. In the event that sufficient sales transactions are not available close in time to determining the harvest values, then Board staff must rely on older sales information, being careful to make appropriate adjustments for the differences in time. (See section following on Time Adjustments.)

Board staff appraisers maintain databases of timber sales that properly reflect conditions within each of the nine timber value areas of the state. As time passes, the older sales are dropped and the newer sales added. When sales are scarce, Board staff makes every effort to contact all potential sources of transactional data, including timber landowners, loggers, and mill operators.

## STUMPAGE VALUE

The values upon which the timber yield tax is ultimately levied represent *stumpage value*—the value of the trees standing in the woods, with access. The values are determined by Board staff from the best evidence available, including:

<sup>35</sup> Section 38204; Property Tax Rule 1020.

<sup>36</sup> [www.boe.ca.gov](http://www.boe.ca.gov).

1. Gross proceeds from sales on the stump of similar timber of like quality and character at similar locations; or

2. Gross proceeds from sales of logs, or finished products, adjusted to reflect only the portion of the proceeds attributed to value on the stump immediately prior to harvest.

Timber designated as a *similar location* means timber in an area of comparable elevation and topography, and subject to comparable logging conditions and accessibility to the point of conversion. The values must be determined in a manner that makes reasonable allowance for differences in age, size, quality, cost of removal, accessibility to point of conversion, market conditions, and other relevant factors that affect the determination of value.<sup>37</sup>

Sales transaction data is solicited by Board staff from many sources, including:

- Government agencies, e.g., U. S. Forest Service and the Bureau of Land Management
- Individual landowners
- Registered professional foresters
- Private log brokers
- Timber consultants
- Large-scale and small-scale timber operators

When gathering sales information, Board staff must determine whether the sale is a valid arm's-length transaction. If not, the sales information will be discarded.

## LOG PRICE INDICES

Board staff contacts mills in various timber value areas on a regular basis to collect log price information. These "quotes" form the basis of the log price index numbers used to make time adjustments. These numbers, collected by species and size class, represent spot quotes at specific points in time. They do not necessarily represent transactions, but rather what a lumber mill would pay for logs delivered at a specific time. The information provided by the quotes is analyzed in conjunction with available market transactions.

For each species and log class, the staff averages the transaction data and discards any that fall significantly outside the range of all of the other data being compiled. Then, the averages are adjusted by the change, if any, in log and haul cost during the previous three months, which forms a single index change value for each species and log class. Information is summarized separately for coastal and inland areas, creating a time adjustment for each species or subclassification in each area. Index numbers are derived by applying the change to the previous

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<sup>37</sup> Section 38204.

quarterly value. The values for index numbers do not represent log or stumpage values, but rather a basis for adjustments.

### **BID ANALYSIS**

The bidding process for timber may be as simple as two individuals getting together—one with timber to sell and one who wants to buy timber. Or, it may be as formal as some U. S. Forest Service transactions where there could be many competitors vying for the same sale. Regardless of the nature of the bidding process, if a bid price is market-related, with each species bid individually, Board staff seldom have to make adjustments to the bid prices. However, if certain factors distort a bid price, for example, bid lump sum or bid at one price for all species, then adjustments must be made in order to establish relevant bid prices by species.

Ratios between species and log sizes are developed from information obtained from surveys of delivered log prices. Board staff apply these ratios to the bid prices of distorted bid sales in order to allocate the total bid to determine the market value for each species.

Escalation clauses specified in a contract are applied to a sale to adjust the apparent bid price to the date of the bid or sale. Miscellaneous fees, deposits, nonmonetary payments, etc., borne by the purchaser, are considered a part of the gross proceeds and are included in the sales price. Since the sales price represents gross proceeds, only costs directly attributed to the harvesting of the timber are considered.

Costs incurred by the seller prior to harvest such as for cruising, marketing, developing the Timber Harvest Plan, constructing permanent roads, and surveying are not recognized in the sales analysis process by Board staff.

### **SALES TRANSACTION ADJUSTMENTS**

During the valuation process, adjustments are made to the comparable sales for differences that affect value. This is a critical step in the valuation process which may involve several types of adjustments.

#### **PRICE ADJUSTMENTS**

Any consideration that affects the value of timber must be measured in such a way that it can be quantified and expressed in terms of dollars. Examples of sales requiring price adjustments include sales with bid rate indexing and sales with nonmarket financing. Also included in this group are sales with value deficits in which the cost of the required removal of materials exceeds the value of the timber, such as sawlog sales with biomass components. Price adjustments are normally not necessary on delivered log sales.

## LOG AND HAUL COSTS

Contract payments for logging and hauling provide an indicator of stumpage value when deducted from the delivered log price paid to the seller. Logging costs do not include engineering or forestry fees, permanent road building, clean-up costs, or other costs not directly related to the harvesting and removal of timber.

## PURCHASER PAYMENTS

Whenever a purchaser of timber or logs assumes the financial burden of any item that is the seller's responsibility, adjustments must be made to the purchase price paid for the timber or logs. The amount of adjustment is directly proportional to either the benefit received by the seller, or the cost incurred by the purchaser. This amount is expressed in dollars per thousand board feet and is added to the indicated stumpage price. For example:

- When the timber yield tax is paid by the purchaser, this amount is added as a positive adjustment to the stumpage price.
- Forestry costs, timber harvest plan costs, deposits, fees and other seller costs that are assumed by the purchaser are positive adjustments made to the stumpage price. This group of adjustments includes a multitude of factors that commonly impact the purchase price and may include costs incurred over a wide period of time—from well before the operation, to well after the actual logging activity. Examples of the latter would be slash disposal and clean-up. Nonrefundable payments for slash disposal, road surface replacement, and other factors shown on a U.S. Forest Service (USFS) contract as deposits are added to the purchase price, since they are not included in the bid price.
- When the bid price for a forest service sale does not exceed the total of the advertised price of the timber plus the credits for the cost of building required roads, the unusable road credits are added to the bid price to compute the total price of the sale.

### *Example*

If the advertised price is \$240,000, road credits allowed by the USFS are \$200,000, and the bid price \$400,000, then:

$$\begin{aligned}
 \text{Unusable Road Credits} &= (\text{Advertised Price} + \text{Road Credits}) - \text{Bid Price} \\
 &= (\$240,000 + \$200,000) - \$400,000 \\
 &= \$40,000
 \end{aligned}$$

In this example, the USFS estimated the value of the timber as \$240,000 and estimated that the road construction would cost \$200,000 to complete. Since the bid was less than the total of the advertised price of the timber and the estimated cost of the roads, a portion of the road credits could not be used as an offset against the value of the timber. The difference is the unusable road credits of \$40,000 which must be considered as an adjustment to the bid to compute the total price being paid for the timber on this transaction.

## 1    **TIME ADJUSTMENTS**

2    Values proposed for each new harvest value schedule must be based upon a sufficiently large  
3    group of sales to provide accurate and reliable value indicators for each species, age, type, and  
4    timber value area. Therefore, sales for a two-year period are considered in each six-month  
5    valuation cycle.

6    When using older sales, it may be necessary to adjust sales prices to allow for changes in market  
7    conditions from the original sale date to the timber tax appraisal date (the date that the immediate  
8    harvest values are estimated). The object of time adjustments is to estimate the amount older  
9    sales would bring in an open market if resold on the timber tax appraisal date. Both private and  
10    government transactions are adjusted using the same time adjustments.

11    Two years of sales are used in the analyses. Sales are summarized by year of sale, and the older  
12    sales' summaries are compared to the newer ones. If values are similar, it may be implied that the  
13    time adjustments are reasonable, and that the older sales are reliable value indicators. If there are  
14    significant differences in value after time adjustments are made, the most recent sales should be  
15    given the greatest weight as more accurately reflecting the current marketplace.<sup>38</sup>

16    Since immediate harvest value refers to the value of timber that typically could be harvested in  
17    one year, sales with multi-year contracts may produce different indicators than those with  
18    short-term contracts due to speculation, favorable financing, or other considerations dealing with  
19    wood supply. If differences are found in pricing based upon length of contract, additional weight  
20    should be given to the short-term contracts because they generally require fewer adjustments.

## 21                    **HARVEST VALUE SCHEDULE ADJUSTMENTS**

22    During the valuation process by Board staff, sales from any timber or logging operation that will  
23    receive a deduction of any kind when the timber owner reports his or her sales to the Board must  
24    be adjusted to ensure the data are comparable with other sales that will not receive any  
25    deductions. The adjustment is based upon the harvest value deductions in effect at the time the  
26    timber sale took place. The standard deductions are listed on the harvest values schedule and  
27    include:

- 28        •    A deduction if the total volume harvested in a quarter is less than 300 MBF.
- 29        •    A deduction for volumes that were yarder or skyline logged.
- 30        •    A deduction for volumes that were helicopter logged.
- 31        •    A deduction if harvested in counties that have county-specific timber requirements that
- 32            make the timber marketplace in those counties significantly different from other

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<sup>38</sup> For an in-depth description of time adjustments, see Assessors' Handbook Section 501, *Basic Appraisal*, January 2002, at page 91.

timberland counties. Currently those counties are Marin, Monterey, San Mateo, Santa Clara, and Santa Cruz.

The standard adjustments to the harvest value schedule amounts are continuously monitored by Board staff for continued validity and reaffirmation of the deduction amounts allowed. Factors considered when making this review are:

- Do additional costs warrant the deduction amount?
- Do comparable sales confirm the deduction amount?
- Do market or physical conditions exist that are not found in the remainder of the timber value area?

## **LOGGING COST ADJUSTMENTS**

The harvest value schedules are founded upon market value indicators derived from typical transactions. Since most sales in the Board's timber yield tax transaction database are logged by tractor, sales that include alternate systems must be adjusted. The amount of adjustment is based upon the differential in the harvest value schedule between tractor logging and other logging systems, multiplied by the percentage of the sale volume to be logged by the other systems. Adding this adjustment to the base value indicates the total harvest value as though the entire sale was logged by tractor.

### ***Example***

If 30% of the volume of a sale is to be helicopter logged and the remaining 70% tractor logged, then:

$$\begin{aligned}
 \text{Logging Cost Adjustment} &= \text{Helicopter logging ratio} \times \text{Total helicopter adjustment amount} \\
 &= 30\% \times \$140 \\
 &= \$42
 \end{aligned}$$

## **HELICOPTER COSTS**

Because of the unique operating conditions and high operating costs, sales containing significant amounts of helicopter yarding are often analyzed separate from other sales. Although adjusted and indexed like other sales, they are not always included in the calculations, listings, and sales' summaries. A separate run of helicopter sales is often used to calculate helicopter values.

Helicopter costs vary greatly due to by log size, defect, and elevation, making the determination of statewide averages somewhat subjective. However, if data can be collected by Board staff over a wide area and under a variety of conditions, then reasonable averages are possible. Averages are always based upon contract costs.

The reliability of using helicopter sales to set harvest values has historically been limited. As a backup to the market approach, the cost differential method has been used for calculating values for helicopter logging. Board staff periodically contact helicopter logging firms to verify costs



and the average cost differences between helicopter and tractor logging. Once validated, the resulting differential is compared to value indicators for tractor logging and to the helicopter sales to arrive at final recommendations.

#### **COUNTY DEDUCTION**

Occasionally, market conditions and/or operating costs are such that existing indicators for a timber value area do not reflect localized stumpage values. When values are substantially different, deductions may be identified for operations within specific counties. If county deductions are recommended, they are supported with sales transaction evidence and differential logging and hauling cost data.

If adopted, county value deductions are substantiated during each subsequent valuation cycle.

#### **SMALL TOTAL VOLUME DEDUCTION**

The small total volume deduction is intended to reflect the disproportionate impact that fixed costs have on smaller sales, and also to account for the fact that small-volume harvests frequently are unable to obtain favorable prices from prospective purchasers. The small total volume deduction is based upon the following two factors:

1. The costs of moving personnel and equipment onto an operation are fixed and will be incurred regardless of operation size. The higher the volume to be harvested, the less impact the fixed costs will have per thousand board feet. Conversely, the smaller the volume, the higher the cost will be for each thousand board feet harvested.

Once reasonable fixed costs have been determined, the costs should be divided by various volumes to determine at which volume these costs begin to have a significant effect on the cost per thousand board feet. This will show the point where an adjustment is warranted and indicate an appropriate allowance for the higher costs. Additional comparisons should be made at lower volumes to determine if additional allowances should be made.

2. People selling smaller amounts of timber do not dictate a strong market consideration, and are therefore not in a competitive position. They are also frequently less informed about the market, and thus may not receive the maximum payment for their product.

Price differences between small and large volume harvests are measured in the marketplace by Board staff to determine the effect of these combined factors.

#### **LOW VOLUME PER ACRE DEDUCTION**

The purpose of the low volume per acre adjustment is to recognize that the costs incurred in logging scattered trees are higher than when logging denser stands. Volume per acre can affect costs of felling, skidding, and to some extent loading. Felling and skidding costs increase proportionately with the distance that must be traveled between trees. Additionally, loading costs can increase if volume is arriving at the landing too slowly to keep up with the logging trucks.

The cost differential can be derived by determining a cost per hour or per day for felling, bucking, skidding, and loading. The amount of timber that can be taken to the landing in the same period is also determined. The cost per period is then divided by the volume that can be logged in each period. This procedure should indicate at what point the cost per thousand board feet becomes significant, and indicate a reasonable cost adjustment. It should be noted that it would not apply to the typical situation, but only for those exceptions to a typical operation.

## LOG CONVERSION

A log conversion is an appraisal technique used to estimate the value of standing timber. It is defined as the residual value for standing timber after appropriate costs, including allowance for profit and risk, have been subtracted from the price of delivered logs.

Two log conversion variations are used. The first is specific to an individual timber owner, and is used in setting immediate harvest values. The actual logging costs of a timber owner are subtracted from the price that a mill paid for delivered logs. The other, derived from average camp-run mill price quotes, is used in value correlation. Average tractor costs for similar operations in a timber value area are subtracted from price quotes for each specific species.

Active log markets exist throughout the forested regions of California. For most species, reliable log price and log sale information can be obtained from landowners or mills that are active in these markets. Most of the sawmills operating in California use the short log Scribner Decimal C log rule and buy logs based upon log size and/or grade as well as a camp run price. When gathering log price or log sales information, Board staff analyzes the parameters of log prices to ensure that variances can be adjusted to reflect a camp run, net short log Scribner price.

The costs involved in harvesting and delivering logs to a mill site are gathered from contract loggers since these costs will contain an appropriate amount for profit and risk and are the best representation of prudent costs. Most often, these costs are presented as a single figure, and further analysis is made to determine what is covered. Any portion that is not appropriately chargeable to the removal of the timber is excluded from allowable costs.

Deductible costs involved in a log conversion are felling, bucking, yarding, loading, hauling, temporary road construction, road maintenance, and right-of-way fees if they are paid by the seller. Section 38204 and Property Tax Rule 1023 exclude the deduction of all costs incurred by the seller before the harvest. These would include permanent road construction, harvest or management plan preparation, timber cruising, and marketing or administrative costs associated with the harvest or timber management plan approval process. Generally speaking, costs are not deductible for log conversion analysis if they are for activities that occur prior to the time the faller's saw touches the tree.

Costs are usually quoted on a gross scale basis. All those used in log conversion analysis must be converted to a net scale basis before they are deducted. This is accomplished by multiplying a factor for scaling defect to the gross cost. For example, if the defect of a particular stand of

timber had been determined to be 20 percent, the factor would be 1.2 to convert the cost from a gross scale basis to a net scale basis. The gross cost would be multiplied by the scaling defect factor to arrive at net cost.

The following hypothetical examples illustrate the use of the log conversion approach to value.

***Example 1 – Timber Owner Logging Costs***

Right-of-way	\$ 5
Stump to truck	150
Haul and road maintenance	<u>50</u>
	<u>\$205 /M</u> Net Sales

<u>Species</u>	<u>Delivered Log Price</u>	<u>Logging Cost</u>	<u>Indicated Immediate Harvest Value</u>
RG3	\$ 850	\$ 205	\$ 645
DFG3	500	205	295
CM	300	205	95

***Example 2 – Average Timber Value Area Tractor Cost***

<u>Species</u>	<u>Delivered Log Price Costs</u>	<u>Average Tractor</u>	<u>Indicated Immediate Harvest Value</u>
PPG1	\$ 700	\$ 200	\$ 500
DFG3	700	200	500
FG	400	200	200

## **LUMBER CONVERSION**

In addition to the accumulation and analysis of stumpage and log sales, lumber conversions may be used by Board staff as a tool in arriving at proposed immediate harvest values. Although a lumber conversion is a valid method for estimating stumpage value, it is seldom used by Board staff due to the subjectivity and sensitivity of the various factors required in using this approach to value.

In principle, a lumber conversion is similar to a log conversion; that is, costs related to producing the finished product, plus an appropriate amount for profit and risk, are subtracted from the selling price to arrive at an indicated stumpage value. However, since many additional factors must be accounted for in a lumber conversion, it is far more subjective than a log conversion.

## APPRAISAL PROCESS

In an economic context, *appraisal* is the process of estimating the value of specific property at a stated time and place. For the Board's timber appraisers, it is the process of estimating the value of timber within each timber value area as of the timber appraisal date—the date that the immediate harvest values are determined.

Once the mathematical value calculations interpolating the data collected have been completed, the reconciliation process begins. Board staff appraisers analyze differences that are evident between indicators, and arrive at a reasonable value conclusion for each timber classification. Each indicator is reviewed to ensure that it accurately represents the timber being valued. The impact of distorted bidding and the existence of other considerations in the purchase price are considered. Only data from sales transactions that meet the definition of fair market value are used in the analysis. *Fair market value* is defined in section 110 as:

... "full cash value" or "fair market value" means the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and the seller have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes....

## SUGGESTED VALUES

When the analysis of a sale has been completed, sales are entered into a database for use by Board staff in the harvest value setting process. Once the sales database is complete, a series of reports are produced which assist Board staff in estimating immediate harvest values for each classification and subclassification of timber in the schedules. These reports summarize the sales data in a number of different ways, including:

- By weighted average prices for each species category by timber value area
- By year of sale
- By groups of sales from multiple years
- By array of sales prices for each species
- By weighted average price

Board staff analyze the sales data and determine supportable harvest values for inclusion in the suggested harvest value schedules that are submitted to the TAC for discussion and ultimately to the Board for adoption.

As with the appraisal of all types of property, with the variability of indicated values ultimately produced by the information in the database, Board appraisers must apply a degree of appraisal judgment in recommending immediate harvest values for the schedules.

## 1    **REVIEW OF SUGGESTED VALUES**

2    Prior to the recommended harvest value schedules being submitted to the TAC and the Board,  
 3    the values are reviewed by Timber Tax Section supervisors and the County Property Tax  
 4    Division chief. Values that appear questionable or conflict with those of surrounding timber  
 5    value areas are discussed in detail and may be re-evaluated. When the review process is  
 6    complete, the suggested harvest value schedules are published and distributed to timber county  
 7    assessors, the TAC members, and other interested parties.

## 8    **SUBSEQUENT VALUE INDICATORS**

9    New sales information may become available during or after the review process of the suggested  
 10   harvest value schedules. Each group of new sales is analyzed by Board staff to determine if there  
 11   is an impact on the original value estimates. If changes are in order, they may be made by Board  
 12   staff prior to the TAC meeting and discussed at the meeting.

## 13                    **MODIFIED HARVEST VALUES**

14   Occasionally, a catastrophic event, such as a wildfire, will significantly alter the market value of  
 15   a large volume of timber. When the market value is affected to such an extent that the existing  
 16   harvest value schedule does not represent that market value, then a modified schedule is  
 17   considered. Modifications to the Board-adopted harvest value schedules may be initiated by the  
 18   Board or in response to a taxpayer's request.<sup>39</sup>

19   When a taxpayer requests a modification to the immediate harvest value schedule, the Board  
 20   may adopt a modified schedule without consulting with the TAC. However, if Board staff  
 21   proposes to modify the schedule, it shall consult with the TAC.<sup>40</sup>

22   If a modification to the harvest value schedule is proposed by Board staff, the resulting proposed  
 23   modifications to values are subject to TAC review. Modified values are then presented to the  
 24   Board for adoption prior to being used for reporting by taxpayers. These modified values are  
 25   established for a specific period of time, condition, and timber value area, and are usually  
 26   applicable to all similarly affected timber within the same timber value area.

27   Once modified harvest values have been adopted by the Board, the modified schedules are  
 28   distributed to the taxpayers in the affected timber value area.

## 29                    **VALUE LIMITATIONS OF HARVEST VALUE SCHEDULES**

30   Although Board staff expends a great deal of time gathering and analyzing sales of logs and  
 31   standing timber, it should be noted that values in the Board's Harvest Value Schedules do not  
 32   necessarily represent the value of any individual timber harvest. The schedule values are based

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<sup>39</sup> Section 38204, subdivision (b).

<sup>40</sup> *Ibid.*

1 on information from many sources, including timber sales of varying size, quality, logging  
2 conditions, access, aspect, elevation, soils, etc. What an individual seller may receive for his or  
3 her timber will not necessarily be the same as the values in the schedules. Value schedules are  
4 not a substitute for a market value appraisal for any particular tract of timber. They are values  
5 estimated based on the analysis of many different transactions over a large geographic area.

## CHAPTER 3: TIMBER ADVISORY COMMITTEE

Pursuant to the requirements of section 434.2, the Board has maintained a Timber Advisory Committee since the enactment of the Timber Yield Tax Law in 1976. Section 434.2 provides:

Within 30 days of the effective date of this section, the board shall appoint the timber advisory committee as defined in subdivision (c) of Section 431.

Subdivision (c) of section 431 provides that:

"Timber Advisory Committee" means a standing committee appointed by the board composed of one representative of the Board of Equalization, one representative of the State Board of Forestry and Fire Protection, five assessors from the rate adjustment counties defined in Section 38105, and one member representing small-scale timber owners, and one member representing large-scale timber owners.

### DUTIES

Sections 434, 434.1, 38109, 38116, 38204 and Property Tax Rule 1023 include references to various duties of the TAC. With the exception of indicating that the TAC is to consult with the Board, the statutes are silent as to specific duties and responsibilities of the Committee. However, in an opinion dated August 29, 1978, the Attorney General stated that the duties of the TAC "... are advisory in nature and encompass no administrative responsibilities."<sup>41</sup> That is, the TAC's purpose is to advise the Board relative to the Board's fulfillment of its responsibilities in the administration of the Timber Yield Tax Law. After meeting, discussing, and voting, the TAC advises the Board on timber issues as one body.

The original language of the Z'Berg-Warren-Keene-Collier Forest Taxation Act required that the Board complete the following duties after consultation with the TAC:

- On or before September 1, 1976, prepare instructions setting forth temporary criteria and procedures for grading timberland on the basis of site quality and operability.<sup>42</sup>
- Prior to December 31, 1976, and periodically thereafter, adopt regulations establishing a standard unit of measure for timber and conversion factors for converting other units of measure to the standard.<sup>43</sup>

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<sup>41</sup> A. G. Opinion CV 78-52.

<sup>42</sup> Section 434.

<sup>43</sup> Section 38109.

- 1 • On or before December 31, 1976, designate areas containing timber having similar  
2 growing, harvesting, and marketing conditions to be used as timber value areas for the  
3 preparation and application of immediate harvest values.<sup>44</sup>
- 4 • On or before March 1, 1977, estimate the immediate harvest values of each species or  
5 subclassification of timber within the timber value areas for timber to be harvested  
6 between April 1 and December 31, 1977. On June 30 and December 31 of each year  
7 thereafter, estimate the immediate harvest values for timber harvested during the  
8 succeeding two calendar quarters.<sup>45</sup>
- 9 • On or before March 1, 1977, adopt regulations setting forth the final procedures for  
10 grading timberland on the basis of its site quality and operability, replacing the instructions  
11 adopted on or before September 1, 1976.<sup>46</sup>
- 12 • On or before January 1, 1980, and every three years thereafter, adopt schedules  
13 re-establishing the value of each grade of timberland pursuant to section 434  
14 (section 434.5 (b)).<sup>47</sup>

15 In addition to the specific statutory duties listed above, the TAC, at the direction of the Board  
16 and/or staff, performs other duties in support of the timber tax program, such as reviewing  
17 proposed amendments to statutes or administrative rules, and generally advising the Board on  
18 timber issues. The following significant changes have been made by the Board, through the  
19 consultation and advice of the TAC, in the timber tax program since completing the initial  
20 statutory requirements of the Z'Berg-Warren-Keene-Collier Forest Taxation Act:

- 21 • In 1977, the harvest value schedules were simplified. This included the allowance of  
22 adjustments in the form of deductions to the values in the schedules for logging systems,  
23 small total volumes, and county locations.
- 24 • In 1998, Property Tax Rule 1024, *Exempt Timber*, was adopted for the purpose of  
25 exempting any timber from the timber yield tax if the tax on the timber would amount to  
26 less than the cost of administering and collecting the tax.<sup>48</sup>
- 27 • In 2000, the timber yield tax was converted from a system using old-growth and  
28 young-growth classifications to a system based on average log size, removing much of the  
29 subjectivity of the previous system. Additionally, some species were consolidated, thereby  
30 reducing the number of categories and further simplifying the harvest value schedules.
- 31 • In 2001, based on historical data, a firm standard was implemented for establishing the  
32 value of salvage species. Specifically, when there are not enough salvage sales in a species

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<sup>44</sup> Section 38204.

<sup>45</sup> Section 38109; Property Tax Rule 1023, *Immediate Harvest Value*.

<sup>46</sup> Section 434.1, subdivision (a).

<sup>47</sup> Section 434.5 was rewritten in 1984 establishing new values for timberland and implementing a formula for adjusting timberland values for subsequent years.

<sup>48</sup> Section 38116.



category to establish its immediate harvest value, the value is deemed to be 75 percent of the corresponding green values listed in the harvest value schedules.

### MEETINGS

There is no set schedule governing when or how often the TAC will meet. When the timber yield tax system was being implemented, meetings were held on a frequent basis to address important issues and statutory requirements. Currently, the TAC meets twice a year, which enables the Board to consult with the TAC members before holding public hearings to adopt harvest values and schedules.

Additional TAC meetings may be convened if timber program issues arise that require the Board or its staff to consult with the TAC members. All TAC meetings are public and subject to public noticing and disclosure requirements.

### OFFICERS

At the inaugural meeting of the TAC, the members elected two officers – a Chair and a Vice-Chair/Secretary. The Board's representative to the TAC was selected to serve as the Chair at that meeting, and has continued to serve as Chair since that time. The Humboldt County Assessor was selected as Vice-Chair/Secretary, and continued to serve in that capacity until he retired. In 1994, the Del Norte County Assessor was selected as Vice-Chair/Secretary, and continues to serve in that capacity.

If the TAC members desire to do so, they may elect new officers each year.

### TENURE OF MEMBERS

The Board is given authority to appoint the TAC members pursuant to section 431.<sup>49</sup> Pursuant to Board policy, the TAC members serve one-year terms and are appointed for each calendar year.<sup>50</sup>

Most of the TAC members have been re-appointed several times and, thus, have long-standing tenure. Since the TAC is a standing committee of the Board, its members must take an oath of office.<sup>51</sup> Either a Board Member or the Board's Executive Director administers the oaths of office to the members at the first TAC meeting scheduled after their appointment.

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<sup>49</sup> Subdivision (c).

<sup>50</sup> Meeting of the Board of Equalization, February 9, 1995.

<sup>51</sup> Government Code section 1360.

## ALTERNATES

Members of the TAC may appoint alternates to serve in their absence. The members may, at the members' discretion, grant any powers they have to alternates, including voting privileges. The controlling statute is section 7 which provides:

Whenever a power is granted to, or a duty imposed on, any person or board by any provision of this code, it may be exercised or performed by any deputy or person authorized by the person or board to whom the power is granted or on whom the duty is imposed, unless it is expressly provided that the power or duty shall be exercised or performed only by the person or board to whom the power is granted or on whom the duty is imposed.

Since the appointment of an alternate is a statutory right of the TAC members, the other Committee members may not limit this right by majority vote or otherwise.

## COMPENSATION OF TAC MEMBERS

The members do not receive direct compensation for serving on the TAC. However, Government Code section 11009 provides for payment to reimburse members for necessary expenses, such as travel and per diem living expenses. In order for a member to receive expense reimbursement, the document evidencing that a member has taken the oath of office at the time of appointment must be filed with the Secretary of State. Board staff files these papers on behalf of the members.

# APPENDIX 1: PROPERTY TAX RULES

## Title 18, Public Revenues California Code of Regulations

### RULE 41. MARKET VALUE OF TIMBERLAND.

Reference: Sections 110, 401, 423.5, Revenue and Taxation Code.

**(a) THE TIMBER APPRAISAL UNIT.** In determining the timber to be valued as a unit, there shall be combined those parcels having:

(1) The same legal ownership. Timber sale contracts shall not be included in the unit.

(2) Commercial timber production as a dominant use.

(3) Geographical and physical conditions which permit similar treatment and economic removal of the timber to a common processing center. The typical practices of timberland owners and timber purchasers shall be used as a guide to indicate the geographical areas which are suitable for inclusion in the unit. Parcels shall not be excluded from the unit because they are outside the county, or because they are eligible for assessment under section 423.5 of the Revenue and Taxation Code.

**(b) IMMEDIATE HARVEST VALUE OF TIMBER.** The immediate harvest value of the timber on each of the separate parcels in the unit shall be determined. Immediate harvest value is the amount of cash or its equivalent for which timber would be transferred from a willing and informed seller to a willing and informed buyer, both seeking to maximize their incomes, if the timber could be harvested in the forthcoming year. The appraiser must consider all elements of value, such as volume by species, quality, defect, market conditions, volume per acre, size of timber, accessibility, topography, logging conditions, and distance from a processing center capable of utilizing the timber.

**(c) MARKET VALUE OF TIMBER.** This section shall only apply to timber in the unit not eligible for assessment under section 423.5 of the Revenue and Taxation Code. The immediate harvest value of the timber on the timber appraisal unit is synonymous with market value if all the merchantable timber may reasonably be harvested in the forthcoming year. If the immediate harvest value of the timber on the appraisal unit is not synonymous with market value, it shall be converted to market value by application of a valuation factor to the immediate harvest value of the timber on each parcel in the unit. In determining the valuation factor, the appraiser shall consider the effect on market value of the total timber volume on the unit and the length of time over which the owner and knowledgeable prospective purchasers might reasonably be expected to harvest the timber, as indicated by sales of comparable timbered properties.

**(d) MARKET VALUE OF TIMBERLAND.** This section shall only apply to areas in the unit not eligible for assessment under section 423.5 of the Revenue and Taxation Code. The market value of the timber on each parcel in the appraisal unit shall be added to the market value of the land as determined by the comparative sales approach. When land included within the timber appraisal unit has uses in addition to timber production, the appraiser shall determine its value with consideration for such uses, as evidenced by recent sales of comparable land. Allowances must be made for the value of any trees or improvements included in the sales of properties used as indicators of the value of land in the appraisal unit.

History: Adopted March 27, 1968, effective April 28, 1968.  
Amended November 16, 1972, effective January 21, 1973.

# **RULE 53. OPEN-SPACE VALUE OF TIMBERLAND.**

Reference: Section 423.5, Revenue and Taxation Code.

**(a) THE TIMBER APPRAISAL UNIT.** The timber appraisal unit shall be as defined in Property Tax Rule No. 41, except that it shall include only properties eligible for assessment under section 423.5 of the Revenue and Taxation Code.

**(b) TAXABLE VALUE.** Land and standing timber used for the production of timber for commercial purposes, whether planted or of natural growth, when eligible for assessment under section 423.5 of the Revenue and Taxation Code, shall be valued by determining the present worth of the net income which the future harvest of timber crops can reasonably be expected to yield and the present worth of the net income attributable to other allowed compatible uses of the land. The value of timber which is exempt under Article XIII, section 3 (j) of the State Constitution shall be excluded when determining taxable value of the property, but the value of land supporting exempt timber shall be included and determined in accordance with section (f).

**(c) NET INCOME.** The amount of income to be capitalized is the net income which an informed owner or an informed buyer of the timber appraisal unit may anticipate on the lien date that the property assessable under section 423.5 of the Revenue and Taxation Code will yield in the future from the harvest of timber crops and the net income from other allowed compatible uses of the property. Net income shall be estimated as follows:

(1) When computing the expected annual or periodic net income from the harvest of timber crops, the appraiser shall determine the difference between revenue and expenditures. Revenue shall be estimated by multiplying the expected annual or periodic volume of timber to be harvested in the future by the immediate harvest value per unit of volume for similar timber. Revenue shall include all income from all forest products. Expenditures shall include the estimated outlays of money which are ordinary and necessary for the production and maintenance of revenue as defined in section 423 of the Revenue and Taxation Code.

(2) When computing the net income attributable to compatible uses, the appraiser shall determine the difference between revenues and expenditures for each type of compatible use. Revenue shall be estimated on the basis of rents, fees, or charges for the use as provided by recently consummated leases, contracts, or verbal agreements on the subject property or comparable properties. Expenditures shall include any outlays which are ordinary and necessary for the production of revenue from the compatible use.

**(d) INCOME CAPITALIZATION.** The shape of the future net income stream shall govern the method used to discount the various future incomes.

(1) If the property is capable of producing an equal annual income in perpetuity or may be valued as if it will produce an equal annual income, the expected annual net income shall be divided by the capitalization rate to estimate present worth.

(2) If the property is capable of producing an equal periodic income in perpetuity or may be valued as if it will produce an equal periodic income, the expected net income shall be divided by  $(1 + p)^{n-1}$ , where  $n$  is the number of years between receipt of the periodic incomes and  $p$  is the capitalization rate.

(3) If the property is not capable of producing perpetually an equal annual income or an equal periodic income, but is capable of producing unequal annual or periodic incomes at regular or irregular intervals, the present worth of the net income stream shall be estimated by computing the sum of the present worths of the individual incomes on a year-by-year or period-by-period basis.

**(e) AREAS WITHOUT TIMBER EXEMPTION.** The appraiser shall estimate the annual or periodic net income from these areas in accordance with section (c). Taxable value will be the present worth of land and timber in accordance with section (d), using the capitalization rate prescribed in section 423 (b) (1), (2), and (3) of the Revenue and Taxation Code.

**(f) AREAS WITH TIMBER EXEMPTION.** In determining the taxable value for these areas by excluding the value of exempt timber, the appraiser shall:

(1) Derive a total value for the land and exempt timber by:

(A) Estimating the annual or periodic net income from these areas in accordance with section (c).

(B) Computing the present worth of the land and timber in accordance with section (d), using a capitalization rate which is the sum of the bond and risk rate components prescribed in section 423 (b) (1) and (2) of the Revenue and Taxation Code.

(2) Allocate the total value derived in (1) between the land and exempt timber by:

(A) Estimating the market value of the property using the comparative sales approach.

(B) Subtracting the estimated market value of the timber. The remainder will be the estimated market value of the land under the exempt timber and is to be used only for purposes of allocating present worth between the exempt timber and the land thereunder.

(C) Multiplying the present worth of the property, as determined in (1) (B), by the ratio of the market value of the land to the total market value of the property, as determined from (2) (A) and (B), to derive the present worth of the land plus the present worth of the taxes.

(D) Computing the taxable value of the land by multiplying the present worth derived in (2) (C) by a fraction in which the numerator is the sum of the capitalization rate components prescribed in section 423 (b) (1) and (2) and the denominator is the sum of the capitalization rate components prescribed in section 423 (b) (1), (2), and (3).

**(g) TOTAL TAXABLE PROPERTY VALUE.** The taxable value for the nonexempt areas, as determined in section (e), shall be added to the taxable value for the exempt areas, as determined in section (f), to determine the total taxable property value. The value assigned to each parcel in the unit shall reasonably reflect each source of income that is attributable to the parcel.

**(h) EFFECTIVE DATE.** This rule shall be effective from and after March 1, 1973.

History: Adopted November 16, 1972, effective March 1, 1973.  
Amended December 17, 1975, effective January 25, 1976.

## **RULE 471. TIMBERLAND.**

Reference: Article XIII A, Sections 1 and 2, California Constitution.

Consistent with the intent of the provisions of Section 3 (j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.

History: Adopted June 29, 1978, effective July 3, 1978.  
Amended September 26, 1978, effective October 2, 1978.  
Repealed Old Rule and Adopted New Rule August 16, 1979, effective August 22, 1979.

## **RULE 1020. TIMBER VALUE AREAS.**

References: Section 38109, 38204, Revenue and Taxation Code.

The following nine designated areas contain timber having similar growing, harvesting and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

- 1 **Area 1**
- 2 Del Norte County
- 3 Humboldt County
- 4 Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between
- 5 Humboldt and Tehama Counties
  
- 6 **Area 2**
- 7 Alameda County
- 8 Contra Costa County
- 9 Marin County
- 10 Mendocino County
- 11 Monterey County
- 12 San Francisco County
- 13 San Mateo County
- 14 Santa Clara County
- 15 Santa Cruz County
- 16 Sonoma County
  
- 17 **Area 3**
- 18 Siskiyou County west of Interstate Highway No. 5
  
- 19 **Area 4**
- 20 Shasta County west of Interstate Highway No. 5
- 21 Trinity County except that portion which is south and west of that part of the exterior boundary of the Shasta-
- 22 Trinity National Forest between Humboldt and Tehama Counties
  
- 23 **Area 5**
- 24 Colusa County
- 25 Glenn County
- 26 Lake County
- 27 Napa County
- 28 Sacramento County
- 29 Solano County
- 30 Tehama County west of Interstate Highway No. 5
  
- 31 **Area 6**
- 32 Lassen County
- 33 Modoc County
- 34 Shasta County east of State Highway No. 89
- 35 Siskiyou County east of Interstate Highway No. 5
  
- 36 **Area 7**
- 37 Butte County
- 38 Nevada County
- 39 Placer County
- 40 Plumas County
- 41 Shasta County between Interstate Highway No. 5 and State Highway No. 89
- 42 Sierra County
- 43 Sutter County
- 44 Tehama County east of Interstate Highway No. 5
- 45 Yuba County
  
- 46 **Area 8**
- 47 Amador County
- 48 Calaveras County
- 49 El Dorado County
- 50 Tuolumne County

**Area 9**

Alpine County  
 Fresno County  
 Imperial County  
 Inyo County  
 Kern County  
 Kings County  
 Los Angeles County  
 Madera County  
 Mariposa County  
 Merced County  
 Mono County  
 Orange County  
 Riverside County  
 San Benito County  
 San Bernardino County  
 San Diego County  
 San Joaquin County  
 San Luis Obispo County  
 Santa Barbara County  
 Stanislaus County  
 Tulare County  
 Ventura County

History: Adopted November 4, 1976, effective January 1, 1977.  
 Amended January 31, 1977, effective February 1, 1977.

**RULE 1021. TIMBERLAND GRADING RULE.**

References: Sections 434.1, 38204, Revenue and Taxation Code.

**(a) GENERAL.** Beginning with the 1977-78 fiscal year, privately owned land and land acquired for state forest purposes which is primarily devoted to and used for growing and harvesting timber and is zoned for a minimum 10-year period as timberland production zone (TPZ) will be valued for property taxation on the basis of its use for growing and harvesting timber, plus the value, if any, attributable to existing, compatible, nonexclusive uses of the land.

**(b) SITE QUALITY.** Timberland is rated for productivity based upon its ability to produce wood growth on trees. Five general site classes are established wherein Site I denotes areas of highest productivity, Site II and Site III denote areas of intermediate productivity, and Site IV and Site V denote areas of lowest productivity. The five site quality classes are set forth within each of three general forest types: redwood, Douglas fir, and mixed conifers.

Land zoned as timberland production zone (TPZ) shall be graded by the assessor using the following site classification table as a measure of land productivity.

TIMBERLAND PRODUCTION ZONE SITE CLASSIFICATION TABLE

<i>Productivity Potential</i>	<i>Young Growth Redwood</i> <sup>1</sup>		<i>Douglas Fir</i> <sup>2</sup>		<i>Ponderosa Pine, Jeffrey Pine, Mixed Conifer &amp; True Fir</i> <sup>3</sup>		
	Site Class	Site Index Feet @ 100 yrs.	Site Class	Site Index Feet @ 100 yrs.	Site Class	Site Index Feet @ 100 yrs	Site Index Feet @ 300 yrs.
Highest	I	180 or more	I	194 or more	I	114 or more	163 or more
Intermediate	II	155-179	II	164-193	II	93-113	138-162
	III	130-154	III	134-163	III	75-92	113-137
Lowest	IV	105-129	IV	103-133	IV	60-74	88-112
	V	Less Than 105	V	Less Than 103	V	Less Than 60	Less Than 88

<sup>1</sup> Lindquist, James L., and Marshall N. Palley. Empirical yield tables for young-growth redwood, Calif. Agr. Exp. Stn. Bull. 796, 47 pp., 1963.

<sup>2</sup> McArdle, Richard E., and Walter H. Meyer. The yield of Douglas fir in the Pacific Northwest. USDA Tech. Bull. 201, 74 pp., Rev. 1961. Adjusted to average height of dominant trees after Forest Research Note No. 44, Pacific Northwest Forest and Range Experiment Station, by Forest Survey, Calif. Forest and Range Exp. Stn., 1948.

<sup>3</sup> Dunning, Duncan. A site classification for the mixed conifer selection forests of the Sierra Nevada. USDA Forest Serv. Calif. Forest and Range Exp. Stn. For. Res. Note 28, 21 pp., 1942.

**Young—Growth Redwood.** Site index based on average height of dominant trees at breast height age of 100 years. Use in young-growth redwood stands in which more than 20 percent of the stand by basal area is redwood and when sufficient dominant redwood trees are available to determine site index.

**Douglas Fir.** Site index based on average height of dominant trees at age 100 years. Use in young-growth redwood stands in which 20 percent or less of the stand by basal area is redwood or when sufficient dominant redwood trees are not available to determine site index. Use also in old-growth redwood stands. In such cases, measure Douglas fir trees for determining site index. Also use for Sitka spruce, grand fir, hemlock, bishop's pine, and Monterey pine stands.

**Ponderosa Pine, Jeffrey Pine, Mixed Conifer, And True Fir.** Site index based on average height of dominant trees at age 100 and 300 years. Use also for lodgepole pine stands. For old-growth stands, use height of dominants at age 300 years.

**(c) OPERABILITY.** Timberland shall be rated for operability based upon such factors as accessibility, topography, and legislative or administrative restraints. On or before December 31, 1979, two classes of operability shall be used by the assessor and designated as operable or inoperable. Areas of inoperable land must be identified by the assessor. For the purpose of land site classification, inoperable means that any of the following circumstances are applicable:

- (1) Extreme physical barriers prevent access.
- (2) Legal or administrative restraints prevent access or harvest.
- (3) Rocky ground, steep slopes, or sterile soil prevent growing or harvesting merchantable timber.

History: Adopted January 6, 1977, effective March 3, 1977.  
Amended June 21, 1983, effective October 7, 1983.



## **RULE 1022. STANDARD UNIT OF MEASURE.**

References: Sections 38109, 38204, Revenue and Taxation Code.

**(a) GENERAL.** In determining quantities of timber for purposes of the timber yield tax the Scribner Decimal C Log Rule based on a maximum scaling length of 20 feet (Scribner Decimal C (Short Log) Scale) shall be used as the standard board foot log rule for timber that is measurable by the net board foot method. This standard board foot log rule for such timber is to be used in all instances, except that in those rare instances when circumstances preclude the use of this standard board foot log rule for such timber, conversion factors as specified herein shall be employed for reporting harvested timber originally scaled using other than the standard board foot log rule.

Timber that is not normally scaled by the net board foot method shall be measured using the unit commonly employed by those dealing with the wood products to which the timber is to be converted, e.g.

INTENDED WOOD PRODUCT	MEASUREMENT UNIT
Fuel Wood	Cord
Christmas trees, poles and pilings	Lineal foot
Chip wood	Gross scale of useable wood

**(b) DEFINITIONS.** When used in this section the terms board foot and board foot log rule shall have the following meaning:

(1) Board foot — a solid piece of wood, 12 inches wide, 12 inches long and 1 inch thick.

(2) Board foot log rule — a method for estimating the volume in board feet of a log with a known diameter and length.

**(c) CONVERSION FACTORS.** When board foot volumes are not scaled using the standard board foot log rule the following factors shall be used to convert the scale employed to the standard scale.

(1) The Humboldt Log Scale shall be converted to gross Scribner Decimal C (Short Log) Scale by the application of a multiplier factor of 1.45. The actual defect in board feet as determined by the difference between that scale and the mill tally records shall be deducted from the gross Scribner scale. Until January 1, 1978, the Humboldt Log Scale when applied to old growth redwood shall be converted to net Scribner Decimal C (Short Log) Scale by the application of a multiplier factor of 1.15.

(2) The Spaulding Log Scale (Short Log) shall be converted to Scribner Decimal C (Short Log) Scale by the application of a multiplier factor of 1.02.

(3) When logs harvested in California are scaled outside California, and only when circumstances preclude the use of the Scribner Decimal C Log Rule based on a maximum scaling length of 20 feet (Scribner Decimal C (Short Log) Scale), the Scribner Decimal C Log Rule volumes attributable to long log scaling shall be converted to Scribner Decimal C (Short Log) Scale by the application of a multiplier factor of 1.20.

History: Adopted November 4, 1976, effective January 1, 1977.  
Amended August 19, 1980, effective December 31, 1980.

## **RULE 1023. IMMEDIATE HARVEST VALUE.**

References: Sections 38109, 38204, Revenue and Taxation Code.

**(a) DEFINITIONS.** Immediate harvest value is the amount that each species or subclassification of timber would sell for on the stump at a voluntary sale made in the ordinary course of business for purposes of immediate harvest. Such value shall be expressed to the nearest dollar per standard unit of measure applicable pursuant to Rule No. 1022, except that the immediate harvest value of Christmas trees shall be the sale price of such trees in quantities of 100 or more in the market area nearest to the place where the trees are cut and adjusted to reflect the value of the trees immediately prior to severance.

Timber value areas are those areas containing timber having similar growing, harvesting, and marketing conditions.

Harvest value is the immediate harvest value in a timber value area as of the first day of the period specified by the applicable harvest value schedule.

"Timber at similar locations" means timber in an area of comparable elevation and topography, and subject to comparable logging conditions and accessibility to the point of conversion.

**(b) HARVEST VALUE SCHEDULES.** The timber owner shall determine the taxable value of the timber harvested for each harvest operation by the use of the Board harvest value schedule applicable to the tax reporting period.

The harvest value schedules adopted by the Board provide estimates of harvest values by considering gross proceeds from sales on the stump of similar timber of like quality and character at similar locations, or gross proceeds from sales of logs, or of finished products, adjusted to reflect only the portion of such proceeds attributable to value on the stump immediately prior to harvest, or a combination of both. Allowance is made for differences in age, size, quality, cost of removal, accessibility to point of conversion, market conditions, and other relevant factors.

Each value schedule provides harvest values for a timber value area taking into account species and average tree or log size. Appropriate allowances for costs of removal have been calculated by consideration of the most common logging systems used within the area, the actual methods of harvesting the timber, the volume per acre, the total volume removed per harvest operation, the typical haul range distances to a conversion point and any excessive required costs of removal.

**(c) DAMAGED TIMBER.** The Board, either on its own motion after consultation with the Timber Advisory Committee or in response to an application from a timber owner may specify a modification of immediate harvest value to reflect material changes in timber values that result from fire, blowdown, ice storm, flood, disease, insect damage, or other cause, for any area in which damaged timber is located. Whenever a timber owner uses such modified immediate harvest values for reporting damaged timber, he shall maintain appropriate accounting records as specified by the Board.

History: Adopted January 6, 1977, effective March 3, 1977.  
Amended and effective June 24, 1997.

## **RULE 1024. EXEMPT TIMBER.**

Reference: Section 38116, Revenue and Taxation Code.

**(a) GENERAL.** There is exempt from timber yield tax timber whose immediate harvest value is so low that, if not exempt, the tax on the timber would amount to less than the cost of administering and collecting the tax.

**(b) EXEMPT HARVEST.** Timber, removed from a timber harvest operation whose immediate harvest value does not exceed \$3,000 within a quarter, is exempt from timber yield tax pursuant to the authority granted by section 38116 of the Revenue and Taxation Code. For the purpose of this rule, immediate harvest value shall be that value described in sections 38109 and 38204 of the Revenue and Taxation Code, and in Rule 1023. The Board harvest value schedule applicable to the tax reporting period at the time of harvest shall define the timber harvest operation, and shall be the basis for determining the immediate harvest value thereof.

**(c)** Nothing in this rule shall authorize the exemption of timber whose immediate harvest value exceeds \$3,000.

History: Adopted December 9, 1998, effective April 8, 1999.

## **RULE 1026. TIMBER OWNER.**

Reference: Sections 38104, 38108, 38115, Revenue and Taxation Code.  
 Hoopa Valley Tribe v. Nevins, et al (1989) 881 F. 2d 657.

Exempt person or agency. The timber yield tax is imposed not only on every timber owner who harvests his or her timber or causes it to be harvested but also on every timber owner of felled or downed timber who acquires title to such felled or downed timber in the state from a person or agency exempt from property taxation under the Constitution or laws of the United States or under the Constitution or laws of the State of California. In some instances, such timber owners may acquire title to felled or downed timber directly from the exempt person or agency. In other instances, however, such timber owners may acquire title to felled or downed timber from an exempt person or agency which itself has previously acquired title to the timber from another exempt person or agency.

Where timber owners of felled or downed timber have acquired title to the timber in the state from an exempt person or agency, "first person who acquires either the legal title or beneficial title to timber after it has been felled" means the first non-exempt person who acquires such title from an exempt person or agency, and such a person is a timber owner liable for applicable timber yield tax (e.g., where the person initially felling timber is exempt from property taxation and the person acquiring the felled timber is also exempt from property taxation, the first non-exempt person who thereafter acquires title to the felled timber is liable for applicable timber yield tax).

As used in Sections 38104 and 38115 of the Revenue and Taxation Code, "timber owner" does not include, however, any person who harvests timber, causes it to be harvested, or acquires title to felled or downed timber derived from Indian lands held in trust by the United States for an Indian Tribe or Band or for any individual Indian member thereof; and no timber yield tax shall be imposed with respect to that timber upon any person who thereafter acquires title to the timber.

History: Adopted August 19, 1980, effective December 31, 1980.  
 Amended August 5, 1983, Section 38301 repealed effective January 1, 1983.  
 Amended April 22, 1992, effective September 12, 1992.

## **RULE 1027. U. S. FOREST SERVICE TIMBER VOLUMES.**

References: Sections 38108, 38115, Revenue and Taxation Code.

**(a) GENERAL.** U.S. Forest Service timber sale contract holders shall report timber volumes harvested as hereinafter provided.

**(b) SCALED VOLUME BILLINGS.** The Timber Sale Statement of Account (TSSA) is the basis for most U.S. Forest Service billing statements. Timber volumes shall be reported for the quarters reflected by the Timber Sale Statements of Account (e.g., April, May, and June, 1980 TSSA volumes shall be reported for the second quarter of 1980.)

**(c) LUMP-SUM BILLINGS.** Timber volumes actually harvested, regardless of the volume purchased from, and billed for by the U.S. Forest Service, shall be reported for the quarters in which scaled. Timber sale contract holders must get and retain scaling data for such volumes.

**(d) OTHER METHODS OF REPORTING.** Timber harvested pursuant to U.S. Forest Service timber sale contracts may be reported on a basis other than (b) or (c), above, only if a written description of the reporting basis to be used is submitted to and is authorized by the Timber Tax Division prior to the due date of the return and prior to reporting.

History: Adopted August 19, 1980, effective November 16, 1980.  
 Amended August 5, 1983, Section 38301 repealed effective January 1, 1983.

## **RULE 1031. RECORDS.**

References: Sections 38703, 38704, Revenue and Taxation Code.

**(a) GENERAL.** Every timber owner, timberland owner, timber operator, and person harvesting timber for forest products purposes, shall keep adequate and complete records showing:

- (1) Contractual or financial agreements relative to the ownership and harvest of timber for forest products.
- (2) Harvest locations for logged timber.
- (3) The basis for adjustments to harvest values.

These records shall include the books of account ordinarily maintained by the average prudent businessman engaged in the activity, together with all bills, receipts, invoices, scaling records, tapes, or other documents of original entry supporting the entries in the books of account as well as all schedules or working papers used in connection with the preparation of tax returns.

**(b) MICROFILM RECORDS.** Microfilm reproductions of general books of account, such as cash books, journals, voucher registers, ledgers, etc., are acceptable in lieu of original records, and microfilm reproductions of supporting data such as sales invoices, purchase invoices, credit memoranda, scale tickets, trip tickets, etc., are acceptable providing the following conditions are met:

(1) Appropriate facilities are provided for the preservation of the films for periods required under subparagraph (d).

(2) Microfilm rolls are indexed, cross referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listing of documents included, and are systematically filed.

(3) The taxpayer agrees to provide transcriptions of any information contained on microfilm which may be required for purposes of verification of tax liability.

(4) Proper facilities are provided for the ready inspection and location of the particular records, including modern projectors for viewing and copying the records.

A posting reference must be on each invoice. Credit memoranda must carry a reference to the document evidencing the original transaction. Documents necessary to support a claimed adjustment for immediate harvest value, such as scaling tickets and trip records, must be maintained in an order by which they can be readily related to the harvesting for which the value adjustment is sought.

**(c) RECORDS PREPARED BY AUTOMATED DATA PROCESSING SYSTEMS.** An ADP tax accounting system shall include a method of producing visible and legible records that will provide the necessary information for verification of the taxpayer's tax liability.

(1) **RECORDED OR RECONSTRUCTIBLE DATA.** ADP shall make possible the tracing of any transaction back to the original source or forward to a final total. If detail printouts are not made of transactions at the time they are processed, then the system must have the ability to reconstruct these transactions.

(2) **GENERAL AND SUBSIDIARY BOOKS OF ACCOUNT.** A general ledger, with source references, shall be maintained to coincide with financial reports for tax reporting periods. Subsidiary ledgers used to support the general ledger accounts shall also be in printout form, or the system be capable of producing a printout for any appropriate calendar or fiscal period.

(3) **SUPPORTING DOCUMENTS AND AUDIT TRAIL.** Records shall be kept in such a manner as to provide an audit trail that allows for ready identification of details underlying the summary accounting data. The system should be so designed that supporting documents, such as sales invoices, purchase invoices, scaling tickets, credit memoranda, etc., are readily available.

1 (4) **PROGRAM DOCUMENTATION.** A description of the ADP portion of the accounting system shall be  
2 available. The statements and illustrations of the scope of operations should be sufficiently detailed to indicate,  
3 (a) the application being performed, (b) the procedures employed in each application (supported by flow charts,  
4 block diagrams or other satisfactory description of the input or output procedures), and (c) the controls used to  
5 insure accurate and reliable processing. Important changes, together with their effective dates, should be noted in  
6 order to preserve an accurate chronological record.

7 **(d) RECORDS RETENTION.** All records pertaining to transactions subject to the timber yield tax must be  
8 preserved for a period of not less than four years unless the State Board of Equalization authorizes in writing their  
9 destruction within a lesser period.

10 **(e) EXAMINATION OF RECORDS.** All of the above-described records shall be made available for  
11 examination on request by the Board or its authorized representatives.

12 **(f) FAILURE TO MAINTAIN RECORDS.** Failure to maintain and keep complete and accurate records shall be  
13 considered evidence of negligence or intent to evade the tax and may result in penalties or other appropriate  
14 administrative action.

15 History: Adopted January 6, 1977, effective March 3, 1977.

## APPENDIX 2: TIMBER VALUE AREAS



# APPENDIX 3: SAMPLE IMMEDIATE HARVEST VALUES SCHEDULE

## CALIFORNIA STATE BOARD OF EQUALIZATION

### HARVEST VALUES SCHEDULE, EFFECTIVE JANUARY 1, 2005 THROUGH JUNE 30, 2005

(Adopted by the California State Board of Equalization December 14, 2004)

#### INSTRUCTIONS

**REPORTING PROCEDURE** - Timber tax returns must be filed using the Timber Tax Account Number of the timber owner (R&T code 38115). Each return shall include only timber having the same timber owner as shown for the registration of the account on the return.

The Timber Tax Harvest Report must be completed before preparing the Timber Tax Return.

**TAX RATE** - The tax rate for the period of this schedule is 2.9%.

#### TIMBER HARVEST OPERATION - DEFINITIONS

A. A harvest on private land for an entire Timber Harvesting Plan, Notice of Timber Operations, or Emergency Notice, or a combination of these sharing a common geographical area, as submitted to the Department of Forestry. Two or more timber owners who elect to combine their harvests under one harvest permit may report each harvest as a separate operation so long as each owner has a distinct timber parcel and each has a separate yield tax account. Taxpayers must maintain sufficient records to support the reporting of separate operations.

B. A harvest on public land for an entire timber sale contract between a public agency and a purchaser.

**HARVEST VALUES SCHEDULE** - The Timber Owner shall select the appropriate table values to be used for preparing the Timber Tax Harvest Report and the Timber Tax Return. Nine timber value areas are designated within the State, and the taxpayer must use the appropriate column of the harvest values schedule for timber harvested within each specified area. Timber value areas are shown on the map on page 3, and the boundaries of these areas follow county boundaries with exceptions in Shasta, Siskiyou, Tehama, and Trinity Counties.

**SPECIES** - Timber species or products are reported by using the appropriate species code as shown on pages 4, 5, and 6 in the harvest values tables. Jeffrey pine, sugar pine, coulter pine and western white pine are all reported as ponderosa pine. Hem/fir includes western hemlock, mountain hemlock, white fir, red fir, grand fir, spruce, and Shasta red fir. Western red cedar is reported as incense cedar. The Miscellaneous conifer code includes lodgepole pine, knobcone pine, gray pine, sierra redwood and other evergreen species not listed in tables G and S. **(See Table 1 for the appropriate harvest value of CM.)** Small Sawlogs Miscellaneous (SSM) category includes volume harvested from the operation for the entire quarter. To see if you qualify for this species code read the definition found in the Table 1 instructions on page 4. Unsound sapwood logs are to be reported along with the other volumes for a particular species code.

**CULL LOGS** - Cull logs are any that, when scaled, show less than ¼ of its gross volume as sound, usable lumber. Cull logs are to be reported in adjusted gross M board feet. Unsound sapwood logs are not classified as cull logs.

**SALVAGE TIMBER** - The salvage values table is used for reporting salvage timber removed from areas designated for salvage logging. Salvage logging is defined as the removal of dead and/or dying trees that are expected to survive less than 12 months if not harvested. For redwood, salvage logging includes the removal of dead or down material previously left as unmerchantable.

- ◆ Salvage timber includes only dead, dying, fatally damaged, or downed trees removed from an area of salvage logging.
- ◆ Non-salvage trees removed from an area of salvage logging do not qualify to use the salvage value tables.
- ◆ Salvage trees should not be reported as salvage timber if they are removed as part of a normal harvest.

**LOGGING SYSTEM ADJUSTMENTS** - The taxpayer must report the volume of timber harvested by logging system. Logging systems and logging code numbers are as follows: Tractor, which includes yarding with a winch, rubber tired skidder, horse logging and endlining, is coded as "T", cable and skyline yarder as "S", and Helicopter as "H". Any system not listed here will be reported as tractor, unless a special request is made prior to logging. Note that the table values are for tractor logging; adjustments should be made when other logging systems are used.

**VOLUMES** - All volumes are reported in net Scribner short-log scale (20 feet maximum scaling length) except where otherwise indicated in Table 1. For national forest timber sold on scaled volumes the Forest Service statements of account (billing statement) shall be the basis for determining taxable volume. For reporting lump-sum sales, use the timber volumes actually scaled during the quarter. To convert split products to a board foot basis, multiply the thickness by the width and by the length (all in inches) and divide by 144 ( $T'' \times W'' \times L'' / 144$ ) = Board Feet per piece.

## INSTRUCTIONS

**AVERAGE VOLUME PER LOG (AV/L)** - The taxpayer determines the average net volume per 16' log (AV/L) for those species requiring a quality code. The average volume per log is determined from the quarterly volume within the harvest operation, and is calculated by dividing the net Scribner volume for the species by the number of sixteen foot short-log scaling segments. The number of scaling segments may be determined by dividing the total number of linear feet by 16. Cull logs are excluded when making this determination, however small sawlogs (SSM) should be included. When the AV/L is determined from a cruise or other statistical sample prior to logging, it shall remain fixed for reporting purposes during the life of the operation.

**TABLES** - Harvest values tables provide the taxpayer with information necessary for reporting the timber yield tax. The following are included: Table 1 for valuing Miscellaneous Harvest Values, Table G for green timber, and Table S for salvage timber. The prices are expressed as a dollar amount per thousand (M) board feet or other unit of measure. Species codes and units of measure are shown in the tables for preparation of the Timber Tax Harvest Report. Adjustments to value may be available, if the requirements in the "VALUE ADJUSTMENTS" instructions are met.

**VALUE ADJUSTMENTS** - Low volume harvests may qualify for reduction of harvest value. Volume criteria and adjustment amounts are shown at the bottom of Tables S and G. There are no value adjustments for Table 1, Miscellaneous Harvest Values. The small total volume adjustment is available to all qualifying timber harvest operations. The low average volume per acre adjustment is only available to green timber found in Table G; both adjustments may be used if the operation meets the applicable criteria. To determine the average net volume per acre, divide the total net volume harvested during the reporting quarter by the actual acres harvested.

**EXEMPT TIMBER** – Timber removed from a timber harvest operation whose immediate harvest value does not exceed \$3000 in a quarter is exempt from timber yield tax. If line 21 of a harvest report is not greater than \$3000 for an operation, do not carry the value forward to the tax return; instead write "EXEMPT" in large letters across the face of the harvest report. If all of your operations harvested for the quarter qualify for this exemption, enter zero in column 4 on line 10 of the tax return, sign, and file the return along with the harvest reports, according to instructions. If you have both exempt and taxable operations, transfer only the value information from the taxable operations to the tax return and follow the instructions for completing and filing a return.

## FOR MORE INFORMATION

If you need general information about the timber yield tax, or help completing your timber tax forms, you may call the Board's 800 Number Information Center. Customer service representatives are available to help you Monday through Friday (except State holidays), from 8:00 A.M. to 5:00 P.M. (Pacific time). **Call 800-400-7115**

For TDD assistance (telephone device for the deaf), call: 800-735-2929 (from TTD phones), or 800-735-2922

For specific information about your account or tax reporting requirements, you may write, call or fax:

Timber Tax Section, MIC: 60  
State Board of Equalization  
PO Box 942879, Sacramento, CA 94279-0060  
phone 916-445-6964 or fax 916-324-2757

## PRIVACY NOTICE - INFORMATION FURNISHED THE BOARD OF EQUALIZATION IS HELD CONFIDENTIAL

The Information Practices Act of 1977 requires this agency to provide the following notice to individual taxpayers who are asked by the State Board of Equalization to supply information:

The principal purpose for which the requested information will be used is to administer the California Timber Yield Tax Law. This includes the determination and collection of the correct amount of tax.

An individual taxpayer has the right of access to personal information about himself or herself in records maintained by the State Board of Equalization. The Board official responsible for maintaining Timber Tax Information is the County Property Tax Division Chief, Property and Special Taxes Department, 450 N Street, Sacramento, CA 95814, Telephone 916-445-6964.

The California Revenue and Taxation Code, Part 18.5 (Timber Yield Tax), requires individuals and other persons meeting certain requirements to file applications for registration and tax returns in such form as prescribed by the State Board of Equalization.

It is mandatory that such individuals and other persons furnish all the required information requested by applications for registration, tax returns and other related data, except that the furnishing of social security numbers by individual applicants for Timber Yield Tax Accounts is voluntary. In addition, the law provides penalties for failure to file a return, for failure to furnish specific information required, for failure to supply information required by law or regulations, and for furnishing fraudulent information.

Information individuals and other taxpayers furnish to the State Board of Equalization may be given to federal, state and local government agencies as authorized by law.



**CALIFORNIA STATE BOARD OF EQUALIZATION****HARVEST VALUES SCHEDULE, EFFECTIVE JANUARY 1, 2005 THROUGH JUNE 30, 2005**

(Adopted by the California State Board of Equalization December 14, 2004)

**TABLE 1 MISCELLANEOUS HARVEST VALUES** - This table is applicable to all timber value areas and shows the harvest values for special items such as Christmas trees, fuelwood, chipwood, poles, posts, split products, small sawlogs, cull logs and miscellaneous conifers. Small sawlogs (SSM) are conifer logs of any species, except coastal redwood, where the average net volume per 16-ft log for all sawlogs removed from a timber harvest operation during the reporting quarter is less than 65 board feet, Scribner Short Log Scale. Cull logs are to be reported in adjusted gross M board feet. For cull logs measured in tons, use a conversion factor of 4 tons per adjusted gross MBF, Scribner scale. For a listing of species included in the miscellaneous conifer category, see the SPECIES instructions on page 1. Except for split products, small sawlogs, and miscellaneous conifers, the items in this table are to be reported in column 17 (other unit measure) on the Timber Tax Harvest Report.

**TABLE 1 - MISCELLANEOUS HARVEST VALUES**

SPECIES OR PRODUCT	SPECIES CODE	UNIT	HARVEST VALUE PER UNIT
Christmas trees, Natural Misc.	XNM	Lineal Feet	N/A
Christmas trees, Natural Red Fir	XNR	Lineal Feet	N/A
Christmas trees, Natural White Fir	XNW	Lineal Feet	N/A
Christmas trees, Plantation	XP	Lineal Feet	N/A
Cull logs	CUL	Adj. Gross M board feet	5.00
Fuelwood, hardwood	FWH	Cords	35.00
Fuelwood, miscellaneous	FWM	Cords	30.00
Pulp chipwood & hardwood logs	HW	Green Tons	1.00
Woods-produced fuel chips	CS	Bone Dry Tons	0.00
Poles & pilings, small (20' - 40')	PS	Linear feet	0.60
Poles & pilings, medium (41' - 60')	PM	Linear feet	1.00
Poles & pilings, large (61' - up)	PL	Linear feet	1.60
Posts, round	PST	8 Linear feet	0.20
Split products, redwood	TR	Net M board feet	75.00
Split products, miscellaneous	TM	Net M board feet	10.00
Small sawlogs, miscellaneous <sup>1/</sup>	SSM	Net M board feet	160.00
Miscellaneous conifer species	CM	Net M board feet	100.00

**NO ADJUSTMENTS FOR THIS TABLE**

<sup>1/</sup> Do not include coastal redwood volume in the Small Sawlog Miscellaneous category.

## CALIFORNIA STATE BOARD OF EQUALIZATION

## HARVEST VALUES SCHEDULE, EFFECTIVE JANUARY 1, 2005 THROUGH JUNE 30, 2005

(Adopted by the California State Board of Equalization December 14, 2004)

**TABLE G - TIMBER HARVEST VALUES** - This table shows the harvest values for the timber by species, size and timber value area. The taxpayer makes the adjustments for the logging system, for small total volume on the harvest operation, low volume per acre on the harvest operation, and county location if the operation qualifies.

Tractor Logging (Logging Code T)														
SPECIES	VOLUME	TIMBER VALUE AREA												
CODE	PER LOG	SIZE CODE	1	2N	2S	3	4	5	6	7	8	9N	9S	
Ponderosa Pine		Over 300	1	320	290	270	440	470	530	480	520	480	460	180
	PPG	150-300	2	260	240	220	340	370	460	420	450	380	400	130
		Under 150	3	180	200	150	240	240	240	320	310	330	300	110
Hem/fir		N/A	150	80	70	200	170	130	260	220	170	200	50	
Douglas-fir		Over 300	1	440	350	320	410	440	420	460	490	430	240	90
	DFG	150-300	2	380	290	270	360	400	370	410	410	350	200	90
		Under 150	3	360	270	250	330	310	290	390	370	320	190	90
Incense Cedar		N/A	N/A	270	270	N/A	430	390	410	450	460	380	330	170
Redwood		Over 300	1	800	800	800	N/A	N/A	650	N/A	N/A	N/A	N/A	N/A
	RG	150-300	2	770	690	680	N/A	N/A	550	N/A	N/A	N/A	N/A	N/A
		Under 150	3	720	640	660	N/A	N/A	450	N/A	N/A	N/A	N/A	N/A
Port-Orford Cedar		Over 125	1	1000	N/A	750	750	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	125 & Under	2	300	N/A	N/A	300	300	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**ADJUSTMENTS****Logging System:**

Deduct \$40 for volumes which were yarder/skyline logged (Logging Code S)  
Deduct \$140 for volumes which were helicopter logged (Logging Code H)

**Small Total Volume:**

Deduct \$50 if total volume harvested this quarter is less than 300 MBF  
Deduct \$100 if total volume harvested this quarter is less than 100 MBF  
Deduct \$150 if total volume harvested this quarter is less than 25 MBF

**County:**

Deduct \$40 if harvesting was located in any of the following counties:  
Marin, Monterey, San Mateo, Santa Clara, or Santa Cruz

**Low Volume Per Acre:**

Deduct \$25 if the average volume harvested this quarter is under  
5 MBF per acre

**\$ 1 PER MBF IS THE MINIMUM HARVEST VALUE ALLOWABLE AFTER ADJUSTMENTS**

**CALIFORNIA STATE BOARD OF EQUALIZATION**  
**HARVEST VALUES SCHEDULE, EFFECTIVE JANUARY 1, 2005 THROUGH JUNE 30, 2005**  
(Adopted by the California State Board of Equalization December 14, 2004)

**TABLE S - SALVAGE HARVEST VALUES** - This table shows the harvest values for the timber by species, size and timber value area. The taxpayer makes the adjustments for the logging system and for small total volume on the harvest operation and county location if the operation qualifies.

Tractor Logging (Logging Code T)														
TIMBER VALUE AREA														
SPECIES	SPECIES CODE	VOLUME PER LOG	SIZE CODE	1	2N	2S	3	4	5	6	7	8	9N	9S
Ponderosa Pine	PPS	Over 300	1	240	220	200	330	350	400	360	390	360	340	1
		150-300	2	200	180	160	260	280	340	320	340	280	300	1
		Under 150	3	140	150	110	180	180	180	240	230	250	220	1
Hem/fir	FS	N/A	N/A	110	60	50	150	130	100	160	130	150	100	1
Douglas-fir	DFS	Over 300	1	330	260	240	310	330	320	340	370	320	180	1
		150-300	2	290	220	200	270	300	280	310	310	260	150	1
		Under 150	3	280	200	190	250	230	220	290	280	240	140	1
Incense Cedar	ICS	N/A	N/A	200	200	N/A	320	290	310	340	340	280	250	1
Redwood	RS	Over 300	1	600	600	600	N/A	N/A	490	N/A	N/A	N/A	N/A	N/A
		150-300	2	580	520	510	N/A	N/A	410	N/A	N/A	N/A	N/A	N/A
		Under 150	3	540	480	500	N/A	N/A	340	N/A	N/A	N/A	N/A	N/A
Port-Orford Cedar	PCS	Over 125	1	750	N/A	N/A	560	560	N/A	N/A	N/A	N/A	N/A	N/A
		125 & Under	2	220	N/A	N/A	220	220	N/A	N/A	N/A	N/A	N/A	N/A

Logging System:

Deduct \$40 for volumes which were yarder/skyline logged (Logging Code S)

Deduct \$140 for volumes which were helicopter logged (Logging Code H)

County:

Deduct \$20 if harvesting was located in any of the following counties: Marin, Monterey, San Mateo, Santa Clara, or Santa Cruz

ADJUSTMENTS

Small Total Volume:

Deduct \$50 if total volume harvested this quarter is less than 300 MBF

Deduct \$100 if total volume harvested this quarter is less than 100 MBF

Deduct \$150 if total volume harvested this quarter is less than 25 MBF

\$ 1 PER MBF IS THE MINIMUM HARVEST VALUE ALLOWABLE AFTER ADJUSTMENTS

**ADJUSTMENTS**

**Logging System:**

- Deduct \$40 for volumes which were yarder/skyline logged (Logging Code S)
- Deduct \$140 for volumes which were helicopter logged (Logging Code H)

**Small Total Volume:**

- Deduct \$50 if total volume harvested this quarter is less than 300 MBF
- Deduct \$100 if total volume harvested this quarter is less than 100 MBF
- Deduct \$150 if total volume harvested this quarter is less than 25 MBF

**County:**

- Deduct \$20 if harvesting was located in any of the following counties: Marin, Monterey, San Mateo, Santa Clara, or Santa Cruz

**\$ 1 PER MBF IS THE MINIMUM HARVEST VALUE ALLOWABLE AFTER ADJUSTMENTS**

## GLOSSARY OF TERMS

Term	Definition
<b>Bucking</b>	The act of cutting a downed tree into segments.
<b>Camp Run Prices</b>	Sales prices not segregated by log size, grade, or species.
<b>Compatible Use</b>	Any use which does not significantly detract from the use of the property for growing and harvesting timber.
<b>Highest and Best Use</b>	The most profitable use of a property at the time of the appraisal; that available use and program of future utilization that produces the highest present land value; must be legal, physically possible, financially feasible, and maximally profitable.
<b>Immediate Harvest Value</b>	The amount that each species or subclassification of timber would sell for on the stump at a voluntary sale made in the ordinary course of business for purposes of immediate harvest.
<b>Indexing</b>	The adjustment of prices or costs for changes in the market over time.
<b>Logging System</b>	The method of removing logs from the stump to the landing or truck.
<b>Sale Date</b>	A timber contract execution date.
<b>Salvage Timber</b>	Dead, dying, or fatally damaged trees that are to be, or have been, harvested.
<b>Sawlogs</b>	Logs that will be cut into dimension lumber, such as two-by-fours.
<b>Scaling</b>	Measuring logs to determine the volume of sound wood.
<b>Scaling Date</b>	The date when the quantity of timber harvested, by species, is first definitely determined.
<b>Scribner Short-Log Scale</b>	A method of determining the volume of usable wood in a log, based on a 16-foot log. The standard scaling method authorized by the Board for reporting sawlog volume.
<b>Skidding Costs</b>	The cost of transporting logs from the harvest area to a landing.

<b>Skyline Logged</b>	Transportation of logs from the harvest area to a landing by use of a cable from a stationary tower. See also yarder logged.
<b>Stumpage Value</b>	The value of trees standing in the woods, with access.
<b>Timber</b>	Trees of any species maintained for eventual harvest for forest products purposes, whether planted or of natural growth, standing or down, including Christmas trees, on privately or publicly owned land, but does not mean nursery stock.
<b>Timber Advisory Committee (TAC)</b>	A standing committee appointed by the Board which consists of county assessors, timber industry representatives, and government representatives.
<b>Timber Harvesting Plan</b>	A document filed with the California Department of Forestry that identifies timber stand conditions and intended harvest methods.
<b>Timber Owner</b>	The person or entity responsible for reporting and paying the timber yield tax.
<b>Timber Value Areas</b>	A geographical area of California having common timber growing, harvesting, and marketing conditions.
<b>Timberland</b>	Privately or publicly owned land which is devoted to and used for growing and harvesting timber, or for growing and harvesting timber and compatible uses, and which is capable of growing an average annual volume of wood fiber of at least 15 cubic feet per acre per year.
<b>Timberland Production Zone (TPZ)</b>	An area which has been zoned pursuant to sections 51112 or 51113 and is devoted to and used for growing and harvesting timber or compatible uses.
<b>Yarder Logged</b>	Transportation of logs from the harvest area to a landing by use of a cable from a stationary tower. See also skyline logged.
<b>Yield Tax</b>	The dollar amount derived by multiplying the net volume of harvested timber by the appropriate immediate harvest value per unit and by the yield tax rate.